

ECONOMICS IN ACTION • APR. 1954

While the general business trend continues to slope downward, some economic analysts are pointing to recent pickups in industrial and consumer demand as an indication that we may already have left behind us the worst of the current business dip:

New Orders by industry are at the best level since March 1953 according to the National Association of Purchasing Agents. The Association, which represents leading buyers all over the country, cites this as one of the bright spots in the current economic picture. Their findings appear to be borne out by the recent spurt in machine tool orders.

Retail Sales are fluctuating only slightly under last year's level and are even running ahead in some cities...Auto sales jumped 12% in February and it looks as if the uptrend will continue...

Television makers and dealers report an improvement from the severe doldrums of 1953 and proposed excise tax cuts should, if approved, boost sales of other consumer items.

All this is good news and seems to bear out those economists who have been calling the current business decline a "rolling readjustment." Certainly, there is nothing very much wrong with an economy where the consumer keeps on buying.

What worries the pessimists is that the consumer will keep on buying only as long as his job is secure and the cost of necessities does not cut too deeply into his income. That is why there is so much concern over production cutbacks and layoffs:

Personal Income of all types, for example, was running at a yearly rate of \$282.5 billion in January

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—or \$2 billion under the December pace. A disproportionately high 75% of this \$2 billion decline came from loss of wage and salary income as layoffs and loss of overtime began to cut into the size and number of paychecks.

The cost of living, on the other hand, climbed back to only a fraction below the all-time high established last October. At the same time, the consumer's outstanding debt on installment purchases is still about \$2.5 billion above last year. In other words, the cost of the consumer's necessary expenditures is increasing at a time when his income is threatened by shrinking payrolls.

So far, this two-way squeeze does not appear to have put a serious dent in consumer buying. But many economists believe that the situation will have to get worse before it can get better. They point to the fact that manufacturers have thus far been unable to substantially reduce top-heavy inventories despite production cutbacks. And they don't believe production can stage a comeback before over-stocked shelves are cleared.

The current business slowdown is playing havoc with Administration plans to get Uncle Sam out of the red. The President's forecast of only \$2.9 billion for fiscal 1954-55 is already out of date and will almost certainly have to be revised upward:

Stepped-up Government spending for Federal employees, for highways and for dams will boost expenditures by about \$700 million.

Tax cuts of one kind or another are a sure bet now that business is off and elections are on the

(Cont'd on p. 63)

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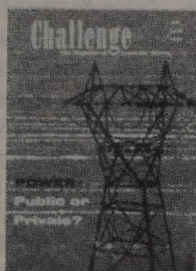
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a personal note

FROM A STUDY of the scientific facts available today one gets the definite impression that Neanderthal Man became extinct because he didn't know the Fourth Glacial Age was bound to get colder before it got warmer. If this seems to be a singular lack of intelligence on the part of Neanderthal, what do you suppose our descendants or replacements will be saying about us fifty thousand years from now?

I do not know how we can avert wars or through what precise steps we can attain a standard of living which at the same time will be both satisfactory and immediately universal. But as a more than casually interested observer of current economic affairs, I feel that some of our misconceptions in this field are not beyond redemption and do warrant an attempt at correction.

If ever modern *Homo sapiens* reaches the brink of economic extinction, I dare say among his last fleeting thoughts would be this one: "If only we hadn't gone off the gold standard!" Such is the popular and persistent belief that money is worthless unless it is "backed" by gold. What I take exception to is not that people want their money to be worth something but rather the manner in which they think the value of their money can be maintained.

The economic history of gold requires lengthy discussion. But for our purposes we can say that when money came into general use to facilitate the exchange of goods, money as such became a secondary representative of the value of the goods. Primary representation was in gold, and therefore the value of the money itself was determined by the gold "behind" it. Why the value of goods and services had to be first stipulated in gold and then restipulated in money is simple to explain. Money could be, and still is, easy to multiply—either through counterfeit or by the excessive use of the printing press by legal agencies. But gold, a metal in relatively short supply anyway, cannot be so readily multiplied.

THUS, WHEN there is a gold standard, the supply of money in circulation is tied to the supply of gold held in the treasury of the money-issuing agency. This practice prevents governments from increasing the money supply at will—which always leads to inflation when there is no basis for such increase in terms of the existing goods and services. Where a gold standard does not exist, historically the experience has been that money comes to be valued at whatever the government says it is worth. This practice invariably leads to a devaluation of the currency, much

to the detriment of people who work for money and save it for the security of their future.

In actual practice, however, the function and necessity of gold as a stabilizing factor in a monetary system is not so positively determined. When in 1849, for example, gold was discovered in California, there was a sudden increase in our supply of gold. In the years immediately following the gold strikes, our money supply became expanded because of the new money issued against the new gold pouring into the banks. Yet this money had no relationship to what the country was producing in goods and services. Consequently there was inflation. It took more money to buy things than it did before gold became more plentiful. Then, during the Civil War, the Government resorted to printing money to pay for the cost of the conflict. These "greenbacks" were not backed by gold; but what is even more important, they were not backed by anything else either. There was again inflation. Thus, in the first instance because there was too much gold, and in the second because there was no gold, the immediate effect was the same—a period of rising prices. But there was one thing common to both instances: the money supply was expanded more rapidly than the production of goods and services.

So WE CAN SEE that with gold or without gold, a monetary system is stable and reliable only to the extent that it is consistent with what the economy can produce. Better to think of the problem in these terms than to place a blind reliance upon a misleading mechanism such as the gold standard. For the sake of comic relief, I should like to repeat a report from abroad that the Russians have developed a technique enabling them to convert lead into gold (through the use of atomic energy, of course). This report is probably untrue. But if the world should suddenly be flooded with Russian gold, would this mean that everybody will be richer? Or would the Russians be richer than anyone else?

What we are after is sound currency. If people could be certain that their governments will maintain a direct relationship between the supply of money and the supply of goods and services, then gold would lose its economic value, except that which it intrinsically enjoys as a metal.

Since people always get the kind of government they deserve, I detect a lack of self-confidence in the willingness of human beings to place more faith in a material thing like gold than in their ability to control their governments. Is this a faint admission that *Homo sapiens* is an inadequate being and that his ultimate fate will be the same as Neanderthal's, who didn't know enough to come in out of the cold?—H. B.

A chronicle of fifty years of growing confusion about the development, regulation and distribution of electrical energy

THE 'PUBLIC' AND 'PRIVATE' OF ELECTRIC POWER BUSINESSES

by Alfred Russell

THE NEW Republican Administration had been in office seven months when it issued a statement of Federal policy on the subject of development, sale and future planning of electric power. In brief, this "new power policy" of the Interior Department said that the responsibility for the supply of electric needs for a given region rested with the people of that region.

Although it was a mild manifesto, the new power-policy statement has aroused controversy. Millions of words have been written on the subject, which has been labeled just about everything on the ideological dial—from a "give-away" of our natural resources to a pronouncement so vague that it represents a threat to business enterprise.

Interior Secretary Douglas McKay made clear that the new statement "supersedes all statements of power policy heretofore issued by the Department."

This meant that it replaced the memorandum issued by the late curmudgeon, Harold L. Ickes, who as Secretary of Interior in 1946, directed that the Federal Government must assume a dominant role in providing the nation's supply of electricity. There were many in the utility business who felt that this strong role had been exercised for a decade before that date.

Now let us assume, for the purpose of perspective, the naivete of a first-year student of political science who asks his instructor: "Why does the Government have a power policy? There is no steel policy, no textile policy, no automotive policy. Why just a power policy?"

The answer is not simple. It requires a short course in the background of how kilowatts got mixed into the mainstream of politics. It is a good idea to delve into this

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background, and examine whether this present power policy is realistic and in tune with today's industrial development. It is especially pertinent in this seventy-fifth year after Thomas A. Edison invented the incandescent lamp, providing light for the people and power for industry.

THE DEPARTMENT of Interior, now little more than a century old, was created to develop and conserve the public domain and the natural resources of the nation. Everyone is in agreement that neglect of our natural resources would be a dereliction of public duty. There should be little disagreement that the Government alone cannot conserve these resources; that it must be a partnership arrangement in which all the people use the best of their talents and resourcefulness.

Development of a natural resource—water—moved the Federal agency into eventual full-scale production of power. The Reclamation Act of 1906 represented the first Congressional recognition of Federal generation of electricity when it said that if incidental power should be developed from an irrigation project, it should be leased, "giving preference to municipal purposes," and the money placed in the reclamation fund.

"Giving preference to municipal purposes" was deemed a proper function of the Federal agency in

this time of pioneering electrical development, when electricity was just beginning to be used as a source of light and energy. Individual generating units had been established to provide light to eight hundred towns. But there was no integration of power systems, no connections from one town to another, and when something went wrong with the mechanism, the lights went out.

In the West, where electricity was first generated through the use of an irrigation project, the power was incidental to the reclamation of lands and flood control. Indeed, encouraging the use of electricity was a concern of industry and Government, since the widespread distribution systems were still a dream.

THE ACT OF 1906 set a pattern. The Boulder Dam Act of 1928 continued the philosophy of supplying power to public organizations, but set a new and unique note by providing that the rates should cover expenses. This theme of favoring public agencies was carried in the Bonneville Power Administration Act of 1937, which established a public power grid in the Northwest, the Fort Peck Act of 1938 for a Missouri Valley development, and the 1944 Flood Control Act.

In between these dates came the creation of the Tennessee Valley Authority, the only valley author-

ity thus far established. TVA is not a child of the Interior Department. It answers only to Congress. It is not the aim here to debate the merits of TVA, but only to mention that it has reached the stage in development of power where in a few years it will be producing more electricity from steam plants fueled by coal, than from the falling water of the Tennessee Valley.

Yet nowhere in any act of Congress is there a stipulation that the Federal Government go into the electricity business as a primary

responsibility.

As Clarence A. Davis, Solicitor General of Interior, with incisive wit, puts it: "Legally, our position comes down to this. Congress has said to us, 'You are not authorized to go jump in swimming in this big power pool, despite the allure of the swimming hole and the kids on the bank, but if you happen to be plowing some land or cutting a tree along the edge and fall in (while you are supposed to be surprised to find yourself wet) there is no objection to your taking a little

Some Power-full Facts

- In 1922, private utilities generated 97 percent of the public supply of electrical energy; in 1951, only 81.5 percent.
- The United States produces 42 percent of the world's total output of electric power. This figure is four times that of the second-ranking nation, Soviet Russia.
- In the average American home today, electricity does the work which would require the labor of thirty-five servants, each working a forty-hour week. All this is done at an average cost of sixty dollars per year—less than a week's pay for the average factory worker.
- Ninety-seven percent of all homes—more than 48 million customers—in the United States use power provided by electric companies; another two percent has power available.
- This year marks the 75th anniversary of the invention of the incandescent lamp by Thomas A. Edison. During February, 1954 the 50-millionth customer was added to service, and the 100-millionth kilowatt of electrical energy will be released later in the year.
- In 1933, the average cost per unit for residential electricity was 5.01 cents. By 1952, the unit cost had declined to 2.77 cents. During this twenty-year period the cost of living, as measured by the Index of the Bureau of Labor Statistics, climbed more than 89 percent.

swim since you are already in.' It is not much wonder that there has been some plowing pretty close to the edge of the water."

INDEED, there are cases where the public power boys jumped in the water head first.

The Army Corps of Engineers hung their clothes on the hickory limb of navigation when they built Bonneville (518,400 kilowatts), The Dalles (1,092,000 kilowatts) and McNary Dams (980,000), although power is a primary product.

The Interior Department, through the Bureau of Reclamation, justified Grand Coulee (1,944,000 kilowatts) and Hungry Horse (285,000) on the basis of irrigation needs. The Interior Department is charged with the responsibility of marketing the power whether the dam is built by the Department or by the Corps of Engineers.

The framers of the 1906 Reclamation Act, providing for the disposal of power to public agencies to encourage its widespread use, never dreamed that the Government would develop more than a trickle of the national needs. Nor was it realized that this directive would be interpreted to make the Government primarily responsible for providing power in some areas.

In fact, twenty years ago the Federal Government's output of power amounted to 300,000 horse-

power, or two-thirds of one percent of the total electric generating capacity at that time.

During the last two decades that output has grown to such proportions as to cause flutters in the hearts of the private industry. Today Uncle Sam's electric production is fifteen million horsepower (9.7 million kilowatts) or about 12 percent of the total generated for the public. The Government sells power in twenty-seven states, and plants either under construction or authorized will bring this total to thirty-seven million horsepower or about 20 percent of the total.

Now this trend is to be reversed. "It is recognized that the primary responsibility for supplying power needs of an area rests with the people locally," says the new Administration.

This is a part of the general public idea that permits industry to provide for the needs of the people through normal channels of the business system. However, since power-politics has become an explosive issue, the Interior Department faces some tough problems in carrying out the policy. Recent efforts to divorce Government from business illustrate the problem.

WHEN THE Department of Commerce sold the Federal barge lines that it operated in the Mississippi-Missouri Valley, and when the Government took steps to dispose of

its synthetic rubber holdings acquired during World War II, there were few complaints or public debates. The subject remained in the area of economics (the barge lines, the Commerce Department reported, lost money during twelve of its fourteen years at the helm).

But when a member of the Committee on Inter-Governmental Relationships recently expressed the opinion on a television program that TVA should be sold to industry, there was an immediate outcry that he should resign and go home. The subject was surcharged with politics.

These incidents help to point up the political explosiveness of "public kilowatts"—and give a hint as to why statements of power policy are necessary.

Stripped of the passions of politics, the manufacture of electricity is no different than turning out other industrial products. It requires industrial know-how and financing. There is no magic in the formula that says the Government can get it for you cheaper. The illusion of a bargain in Government-generated power is in the cheaper money obtained from the Treasury for financing, and the escape from normal business taxation.

ELECTRICITY has spawned more illusions than the lights and shadows of a stage production. Some of the myths that cling to the busi-

ness are as old as Joe Miller's joke-book, but remain as a part of our thinking in legislation and policy-making.

The 1906 law, intended to help spread the use of electricity, was reworded through the years until the Ickes power policy of 1946. The original law said:

"Active assistance, from the very beginning of the planning and authorization of a project, shall be given to the organization of public agencies and cooperatives for the distribution of power in each project area. The statutory objectives are not attained by merely waiting for a preferred customer to come forward and offer to purchase the power."

This directed the promotion of subsidized power in competition to private industry wherever a project was built.

TODAY, with electricity available in virtually every corner of the land, the setting up of subsidized power customers results in competitive discrimination in both the industrial and domestic fields.

It was this type of philosophy, erased by the new policy, which caused Fred G. Aandahl, Assistant Secretary of Interior, to comment: "These opinions certainly point in the direction of a strong trend toward Federal monopoly of the electric power business."

Yet the myth of "cheap" power

remains and the Interior Department must work within the framework of legislation that says that Government power must be provided to public power customers. The myth persists that only the Government can build large hydro-electric projects.

PRIVATE financing has come of age, and the cliché has outworn its usefulness. The utility industry may not have possessed much imaginativeness twenty years ago, but there is little that it will not tackle today. One of the healthy results of the Interior Department's statement of policy was to put an end to the idea that only the Government can expand the electrical capacity of the power-hungry Northwest.

Five companies in the Columbia Basin have asked permission to band together and invest 305 million dollars in hydro-electric plants that will add a half-million kilowatts to the region. Compare this financial figure with the 85,610,000-dollar cost for Bonneville, which was built, among other reasons, because it was said that only a public agency was able to finance such an undertaking.

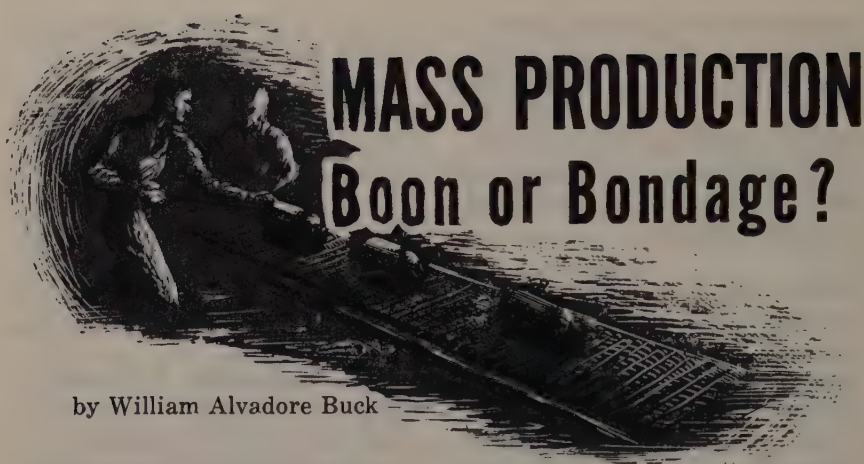
The new policy of teamwork between business and Government in developing and using the natural resources is bringing out of hibernation the venture capital for this area that has been dominated by Federal power for many years.

With the Interior Department quitting the role of deciding what is good for the people in every area, what arm of the Government will determine the wise use of our water resources? Signs point to the Federal Power Commission, long under the shadow of the Interior Department. The Commission is getting back some of the authority that was originally intended for it.

THE U. S. Supreme Court ruled that the FPC had the authority to decide who should construct a hydro-electric installation at Roanoke Rapids in North Carolina. The Commission had ruled in favor of a power company, but former Secretary of Interior Oscar Chapman had fought the decision all the way to the highest court.

A similar debate arose over the development of Hell's Canyon on the Snake River in Idaho. Secretary McKay took the Interior Department out of the case as a special pleader for the public dam, and said that the FPC should decide which plan would be to the best interests of the public on the basis of engineering facts.

With the Commission deciding this and other cases on their merits, without the fanfare of political passions, a more realistic policy may result with both Government and industry helping to develop the nation's resources in comparative harmony. ■



by William Alvadore Buck

Some myths exploded about the "Golden Age" of medieval craftsmen and the "drudgery" of today's assembly line workers

THE OLD-TIME craftsman has been turned into a mass production worker. We are all going to be robots on an assembly line. Pardon me? Well, not everyone of us, I guess. Just the workers."

These words were spoken by a bright-looking young man whom I met in the reception room of a newspaper office. He seemed to be quite cheerful about his observations.

I could not agree with this point of view then, and I disagree with it even more now. The more I think about the influence of mass production techniques on the life of the common man, the more convinced I am that the assembly line is a maligned, misunderstood process.

A review of some of the things that have been said about mass production techniques reveals a persistent line of thought which stems from the depression of the Thirties and still is prevalent among some pseudo-intellectual circles in America today. According to this thinking, the advent of mass production techniques robbed the American worker of his personal liberty and dignity, stripped him of his pride in his work, weighted him with frustrations and smothered his creative instincts. Here is a dragon that should be slayed forthwith.

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There are few things more important to which we might turn our attention. For the Kremlin, while ruthlessly turning its own people into genuine robots, has been preaching the doctrine that American capitalists aim to mechanize the human soul. These alarms have had some success—if not with Americans, then with many other peoples abroad. Who can blame the French artisan for his anti-American attitude if he is led to believe that Wall Street means to charm his wine into soda pop and himself into a wretch like Charlie Chaplin in the motion picture, *Modern Times*?

FIRST, how many Americans work on a typical assembly line or mass production job? The actual number cannot be found in any one place, but we can cook up a very fair and surprising estimate. Start with the figures of the Bureau of Labor Statistics for a recent year; there were 12,807,000 production workers in the nation's mills and factories. Subtract from this the BLS figures for those trades, such as lumbering and basic steel manufacturing, where there are no mass production lines. Stir in the fact that only 26 out of 156 employees in a typical tool manufacturing plant perform the repetitive kind of work which could be associated with mass production. In addition, take a variety of facts from the

book *The Man on the Assembly Line*, by Charles R. Walker and Robert H. Guest of Yale's Institute of Human Relations, noting particularly that of 1,800 employees in an auto assembly plant (Plant X), 1,068 actually worked on the production line.

A CAREFUL study of these figures, and many others (which I stirred around for several hours), will boil down to about 2,200,000 job holders who are actually line workers. For our purpose, let us place this number at a generous three million. When we compare this with the sixty-four million people who make up the labor force, we can say that one worker in twenty-one or more actually holds a typical mass production job.

These three million workers represent a great diversity of people, including happy workmen. They include very few robots, for the machine by its very nature demands a multiplication of skills. The three million figure covers both workers on the assembly line and all other mass production jobs where the work tends to be repetitive and broken down into simple, constituent motions. It includes many a worker like the repair man on the auto assembly lines who is a proud and highly skilled technician; and the utility man who fills in at many spots and seldom does the same job two days running. It includes some

who work alone, and more who work in teams and "talk all the time and have a lot of fun," as a fellow in Plant X observed. It includes another man at the same Plant X who explained, "I like the routine. You get in the swing of it."

The three-million figure does *not* include a great number who perform a single operation, hour after hour, day after day, like Charlie Chaplin in *Modern Times*. At Plant X the interviewers found that 32 percent of the workers did a single chore on a moving line; 35 percent performed two to five operations; and 33 percent did five, ten or more. And, if the sentiment at Plant X is prevalent, the three million assembly line workers include few who ache to resign.

THE PEOPLE who work on assembly lines are among the common men in this land of commoners. Along with all the other wage-earners they constitute the backbone of the nation—although they probably do not think of themselves as anything so exalted and would prefer to leave it to writers to pin this distinction upon them. They go about their work as though it were something in the ordinary course of a crowded day's events. They have other interests besides their jobs; and after they have put in their eight hours, each of them disappears into the privacy of his own leisure time.

But what about the age of the

true craftsman, the "golden time" to which so many romanticists, deploring our industrialism, preach that we should return? To see what the world was really like then, we have to go back to the twelfth and thirteenth centuries when the guilds came to flower. The guilds were protective associations of craftsmen or merchants, similar to a modern trade association combined with a craft union and a fraternal lodge. The guild artisan was a townsman and eminently a swell among people who worked. The average man was a serf, virtually owned as much by his land as by his lord.

AS THE Middle Ages rolled on, the great feudal estates disintegrated under the pressures of new concepts of wealth and commerce. Former serfs by the tens of thousands flocked into the towns and cities. The upper crust among these strays became the artisans and the guildsmen. They were never in great numbers.

Their social status in Queen Elizabeth's time is clear, for, as Cunningham tells us in *The Growth of English Industry*, "a large proportion of London apprentices were drawn from the houses of the rural gentry."

By a process of natural selection, then, the guilds grew a Union League complex as wide as a barn. The ordinary Joe had no more

chance of getting into a guild than into the king's castle. To keep the competition in line, guilds all over Europe limited the number of apprentices and journeymen a master craftsman might employ. The almighty lodge was always to remain an exclusive organization. It maintained strict control over prices and wages, and in all things was as tight a monopoly as one can imagine. The guilds persisted until midway in the eighteenth century, when they finally perished of acute public distaste, galloping snobbery and chronic greed.

I HAVE related this chapter of history to point up the fact that the age of guilds and crafts did not offer very much in the way of job opportunities for the common man. There are many more crafts today—on or off the assembly line. The arts of the machinist, the television repairman and the oil driller would seem like black magic to the master craftsmen of other centuries. The artisan still remains the aristocrat among workers, of course. But are we not a nation of craftsmen and foremen? The Bureau of the Census reported that there were 8,092,000 workers in that classification in 1951. What do the deprecators of the mass production system make of that figure?

But if we really want to confuse these detractors, let us try to establish the exact spot on the social

ladder where the modern assembly line worker fits. Now we are talking about classes of people, and it is infinitely harder to classify Americans by their jobs than it was in Europe during the Middle Ages. Then you were either a member of the clergy, or in some way touched with nobility, or you were a commoner. And if you were a commoner, you could do a lot worse than being a craftsman. But if you were a craftsman, what class of craftsman? Were you a master, a journeyman or apprentice? So it went, classification on classification.

Today's worker is not so readily classified. From the point of view of economic reward, social habits and personal aspirations, most employees of industrial establishments, with assembly lines or otherwise, are pretty much the same. Nor can they be distinguished from the people who make a living outside the factory and plant.

Obviously there has been a leveling process of late, albeit the level is on pretty high ground. How has it been possible for so many people from so many walks of life to arrive at the same socio-economic station? It has been possible because the material wherewithal of life, to serve necessity and pleasure, are provided in numbers which suggest the assembly line mentality—if not from the assembly line itself. And

while a few are engaged in such tasks and are adequately rewarded for their productivity, many others are free to develop other skills for other pursuits.

This is one of the tremendous events of history. The results have played havoc with social stratification. Consider, for example, the answer to this question: Where do the sons of American workers go to serve their apprenticeships, along with the sons of the few remaining castle folk of our time? They go to college in ever-increasing numbers. They will become laboratory technicians, doctors, accountants, scientific farmers, engineers, or, perhaps concert masters or baseball players.

YOU MIGHT say we are a nation of collegians. The figures of the Bureau of the Census state that fifteen million of our people have been exposed to one to four years of college. Enrollment continues to rise year after year. Or why not call us a nation of professional people, since there are five million "professional, technical and kindred workers" in the land? This is a challenging fact. None but a mass production system can afford to divert so much talent to such a diversity of ends. In this milieu the mass production worker is as indistinguishable as his contributions to it are enormous.

We have come nearer than any

people since the Stone Age to that beau ideal of Communist mythology, the classless state. Note, in addition, that more than half of the adults in the nation have been to high school, which means they are better educated and far more knowing, at least of the truth, than the finest silk-lined gallants of Shakespeare's time.

No, I would not return to the days of the guilds and the master craftsmen. I have heard Utopians and romanticists talk as though the Middle Ages were inhabited solely by artisans in stained glass and by makers of golden chalices. What histories have they read? I know that before the age of science and mass production heavy odors burdened the city breeze, that filthy death lurked in every gutter and that begging was an accepted way of life. The English poor law of 1531 provided for licensing beggars and assigning them routes.

IN THE following century destitution became the normal life for millions. As late as the eighteenth century more than a quarter of the urban population of Europe were beggars. The most savage police measures could not keep down piracy and crime. In the British code there were over two hundred capital offenses. The half-starved, misery-ridden people of this era were the raw labor that made the first real factories possible in the

eighteenth century. They were the poor devils in "the dark Satanic mills," damned by William Blake.

Nothing gives me a better view of the distance we have traveled than a note in Evelyn's famous diary. In 1641 he turned his generous eye on the charities of Amsterdam, and he wrote *with admiration*: "There is hardly a child of four or five but they find employment for him." That is unnecessary roughness in any league.

A century ago, when Marx was in flower, there were still coal mines where women and children toiled stark naked from dawn to dusk. If there be some who still yearn for the good old days, they must be gluttons for punishment.

MAN HAS always been subject to drudgery in his daily tasks; but I believe the mass production system has eliminated more monotonous work than it has created at its worst. Chopping cotton, pushing a wheelbarrow, old-style laundering, hoeing corn, stoking a ship's furnace, pulling an oar in a galley, adding long columns of figures by hand, keeping a stuffed nineteenth-century house in order, and a thousand other chores now passed or passing into limbo seem to me to be more soul-tiring than assembling autos. This was particularly true when man worked from dawn to dusk, as he had to do until recently. (There must be some kind

of moral in the fact that an elephant will work only four hours a day.) So I can readily appreciate what the machine and mass production mean to us. The machine is a creature of the human brain, created by human wants. Its true role is to take over human drudgery and thereby free men for more elevating pursuits.

WE KNOW that industry spends huge sums every year to have deep, formal, scientific worrying done about the status of the worker. These studies have revealed that workers in plants and factories, in a substantial majority, are fairly content. Peter Drucker, one of the scientific worriers, has declared that monotony is not a real problem in a modern plant. He points out that even on the assembly line the American factory provides the worker with "status and function" to a surprising degree. The employee can speak up and be heard in the factory as well as in the union hall. Particularly in our larger industrial establishments the worker is a man of preserved dignity and of substance.

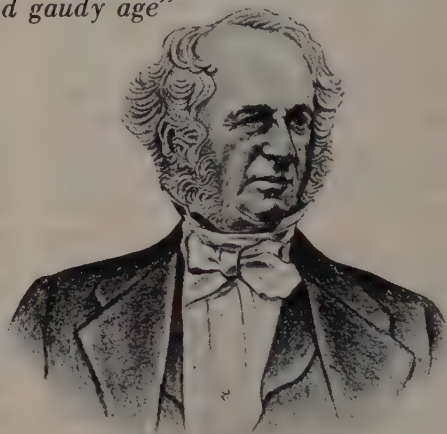
Nor is today's modern worker frozen to a professional level out of which he cannot climb because of restrictions imposed by his guild. A roaring modern industry is hungry for talent in every degree. True, the road from the mill

(Continued on page 56)

Cornelius Vanderbilt lived and worked with no holds barred—in the best traditions of “a savage and gaudy age”

The First Great Mogul

by Stewart H. Holbrook



BORN ON Staten Island in 1794, Vanderbilt was only seventeen when he prevailed on his mother to lend him a hundred dollars with which to buy a two-masted barge called a periauger. He hoped to “earn a living” from it by ferrying people and goods in New York Harbor. A year later, Great Britain and the United States went to war. A British fleet soon menaced New York, and the American commissary general called for bids to transport supplies to military posts around the harbor.

Young Vanderbilt's bid was accepted. He quickly gained a reputation for reliability and daring. No voyage stumped him. He'd deliver supplies anywhere, at any

In his newest book, *The Age of the Moguls*, Stewart H. Holbrook tells of the empire builders of the buccaneering nineteenth century whose total activities “were of the greatest influence in bringing the United States to its present incomparable position in the world of business and industry.” As perhaps the first of these he singles out Commodore Cornelius Vanderbilt, the legendary shipping and railroad multi-millionaire.

time, no matter where the British ships lay.

Late in 1813, when the enemy was repulsed at Port Richmond, the commander of that post wanted to inform authorities in New York immediately. A high sea had every ferry beached. Vanderbilt went to the commander. “I’ll carry you across,” he said, “but I’ll carry you

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under water halfway." He did too, and the party reached the Battery thoroughly drenched and bailing furiously.

Young Vanderbilt was tall, strong, and energetic. He was also as tough as anything to be found on the waterfront. He added two other small boats to his fleet and kept them busy to the end of hostilities. He had done very well, having repaid his mother and put aside a thousand dollars. With this he purchased a condemned schooner from the Government, and in her raced the New York oyster fleet to the beds off Virginia.

The oystermen of that day were a hard lot, many of them no better than pirates. They fought ferociously for favored positions at the beds. What later was called high-jackery was common. Vanderbilt enjoyed the business thoroughly. He fought or bullied his way to the best positions, loaded his condemned schooner till her deck was awash, then struck out for New York to beat all hands to the market. . . .

He married. He built two larger schooners and entered the coast-wise trade. At twenty-three he possessed almost ten thousand dollars of capital. He had earned, because of his ability and possibly also because of his outstanding profanity, the nickname of Commodore, by which he was ever after known.

The alert young roughneck had

watched the progress of the new steamboats. They seemed to be coming in fast. But, so far as the waters around New York were concerned, they were a monopoly of the Fulton-Livingston combination. This politically powerful group had prevailed on the legislature to grant it exclusive right of steam navigation in New York waters. Either you paid Fulton-Livingston for a license, or you did not operate there with steam. Vanderbilt thought this an interesting condition.

In 1818 he sold his profitable sailing schooners and hired out at sixty dollars a month to operate the steamer *Bellona*, which belonged to Thomas Gibbons of New Jersey. Gibbons kept his boats out of New York waters. He wanted neither to pay the license, nor to challenge the Fulton-Livingston combination.

Young Commodore Vanderbilt never dreamed of applying for a license, or of keeping out of New York Harbor. He started immediately to operate the unlicensed *Bellona* from New Brunswick, N. J., to Manhattan. Aaron Ogden was the first to protest. He was a New Jersey operator who had paid the license to run *his* boats to New York City. He obtained an injunction against the *Bellona*. Vanderbilt not only paid it no heed, but went ahead deliberately to provoke incidents. Among other things, he

designed and flew a special flag from the *Bellona's* mast. On the flag was a challenge. "New Jersey Must be Free," said the legend. This created something of a sensation. So did the truculence with which Vanderbilt ran his craft. He docked her at wharves belonging to opposition steamers. If any resistance were offered, or even intimated, Vanderbilt and his crew of shoulder-hitters were ready for battle. The *Bellona*, by now one of the best-known boats in American waters, continued to ply such routes as her commander thought best for business.

After six years of futile attempts at force and at law, during which the *Bellona* never missed a voyage, the Ogden line at last managed to have the case heard before the United States Supreme Court.

To defend the Gibbons line, Vanderbilt engaged Daniel Webster. The Court's mind, doubtless helped somewhat in its thinking by Webster, found for Gibbons and his *Bellona*. The state act creating the Fulton-Livingston monopoly was declared unconstitutional. The outcome was no more pleasing to

Vanderbilt than apparently it was to most of New York and New Jersey, and the Commodore was hailed as a deliverer. "We owe to him," said a prominent citizen, "the freedom of the seas as applied to us locally."

The liberator of the local seas was now ready to start his own line of steamers. Within a few months he had two boats operating on Long Island Sound and the Hudson. His reputation must already have been formidable, for Robert Livingston Stevens, who had been successfully running boats on the Hudson, immediately withdrew, saying he feared what the Commodore would do at rate slashing. The new line did just that, and the North River Association, a combination of operators, were so alarmed that they bribed Vanderbilt to remove his vessels and to agree not to compete for ten years. The bribe amounted to a nice monthly income. . . .

He had been slow getting into railroads, possibly because of an understandable prejudice. Back in 1833 he had been seriously injured on the Camden & Amboy line when

The men in this book . . . have usually been treated as a class. Yet all were men of devout and adamant individualism, hence differed from one another in greater degree than was the case with the mass of their fellow Americans. Each had an overpowering sense of acquisitiveness. None subscribed to the dogmas of the philosophers which deal with what ought to be, but held stoutly to the proposition that what is and shall be is determined by the *forces at work*. That they understood the forces at work must be clear from their accomplishments.

—Stewart H. Holbrook, in the Foreword to "The Age of the Moguls"

a train was derailed and rolled down a bank. All in his car save Vanderbilt had been killed. The memory had dimmed, however, and in 1860, or a little before, it had occurred to him that railroads might supplant steamboats. If so, then some line or other surely would want entrance to New York City.

Vanderbilt thereupon investigated the condition of the New York & Harlem, which had been a plaything of speculators and politicians ever since it was chartered in 1832. He also looked into the New York & Hudson line. The Harlem had got as far as Chatham to connect through another short line with Albany. The Hudson tracks had progressed as far up the river as Poughkeepsie. Beyond Albany ten separate roads had recently been combined to form the New York Central and connect Albany with Buffalo.

The Commodore saw possibilities. He first went to work on the Harlem. By subtle machinations that are not, almost a century later, quite clear to historians of stock and bond operations, he pounded Harlem down to nine dollars, then took control. To buy control of the Hudson cost him twenty-five dollars a share. But getting control of the New York Central was to call for much greater effort.

It had been the Central's practice to give freight and passengers to

the Hudson road at Albany only when the river was frozen and the boat lines, with which the Central had an "understanding," were unable to operate. The Commodore did not like this arrangement. He felt that his Hudson should get all the business, summer and winter. It appears, too, that the Central had refused to give him a "bonus," which the Commodore thought was his due, though on what grounds is not clear. To make things worse for the Central, one of its officials had treated the Commodore in a brusque manner.

TREATING Commodore Vanderbilt in a brusque manner was no way to run a railroad, any railroad. So, one bitter day in winter, the Hudson train stopped short at East Albany, almost two miles from the Albany depot, its usual terminal. If the Central's passengers waiting in Albany wanted to get to New York before spring and the river boats, then they could begin their trip by slogging through snow and across the bridge to East Albany. And if the Hudson's passengers were heading for western New York, or even for Albany, they might start by walking the two snowy miles to the Albany depot.

As indignant cries arose from press and public, the Hudson Railroad's officials announced that henceforth Hudson trains would run only as far as East Albany.

The alarmed New York Central demanded that the legislature take steps. A committee waited upon the Commodore and demanded to know why he refused to run his trains across the river as in the past. The old man appeared to be just waiting for someone to ask him that question. He took a good bite of the rich black Lorillard plug he favored, cleared his throat, and let them have it. He showed the committee, much to its astonishment, an old law that had never been either invoked or repealed, and by then long forgotten, which specifically prohibited the Hudson Railroad from running its trains across the river . . .

The trains of the Hudson continued to stop at East Albany, "according to the law"; and almost immediately the stock of the New York Central started to slide. When it had fallen to what Commodore Vanderbilt considered a reasonable price, he bought eighteen million dollars' worth of it and became President. Two years later, by some expenditure among legislators, he combined the Central and the Hudson into one system, which he was pleased to call the New York Central & Hudson River Railroad. He retained the Harlem in the Vanderbilt family, leasing it to the larger road at a good stiff price. He now had a railroad from New York City to Buffalo on Lake Erie. It was high time to do something

about that other road to the lake, the Erie. . . .

But first things first. The Commodore wanted a fitting freight terminal depot for his new New York Central & Hudson River system. (A new passenger station must wait.) From Trinity Church he bought property in St. John's Park, along Hudson Street, and erected a huge three-story building. On its facade was a pediment 150 feet long and thirty-one feet high, which culminated in a central niche wherein stood the heroic figure of the Commodore himself, fur-lined overcoat and all, in bronze.

A thing like the Vanderbilt bronze was not to be unveiled without a few remarks, and Mayor A. Oakey Hall of New York was ready to accommodate. Looking up at the gleaming likeness of the city's first citizen, the mayor cried: "Stand there, familiar image of an honored man! Stand there and breast the storms or glitter in the sunshine of coming centuries. . . ."

The fur-lined Commodore was to stand right there for another sixty years, or until 1929, when he was removed and placed before Grand Central Station at the top of the ramp by which Park Avenue traffic reaches the elevated roadway around the station. And there he stands today, still staunch and without blemish, after breasting the storms of eighty-five years and glittering in as many suns. ■

In dealing with the problem of old age security, a clear distinction between what ought to be and what can be will help to shape realistic policies for the future

OLD AGE SECURITY— WHOSE RESPONSIBILITY?

THERE ARE still some remote places in this world where old people are put to death when they cease to be full-time contributors to the economy of their society.

That we in America place great emphasis upon developing on a national scale some program which can support those who are in the later years of life is an indication of how far from bare subsistence we have advanced. We all have a stake in such security programs since most of us will live to the age of sixty-five at least, and many of us another ten years even beyond that age.

In any consideration of what can be done, we shall do well to keep in mind the historical process by which we have come to consider the problem at all. If we are now concerned with the relative values of pension funds, retirement funds,

social security, etc., it is only because our civilization has solved the problem of providing necessities and even some of the luxuries which keep us fairly happy. In other words, we have taken first things first. Unfortunately, having reached this stage of affluence, we seem to have lost track of what should be the next step toward the attainment of additional security for our aged.

Rabid "reformers," of whom there are many, fail to recognize that there is a sharp distinction between what *ought* to be and what *can* be. They are all for setting up an extensive pension system which will provide every man and woman over sixty-five with enough money to live in the comfort old age deserves.

This is certainly a laudable goal, although it is not quite plain how such a well-meaning plan would be financed. If all of the 13,200,000 persons over sixty-five years of age somehow managed to buy all the corporations in the United States,

References in this article to the proceedings of the American Assembly seminar are based on a report by Anthony Broy, financial and business correspondent in America for an Australian newspaper syndicate.

the total dividend payments of slightly over six billion dollars in each of the last three years would have paid to each owner only \$690 a year. If this is all the money that can come out of the earnings of the corporate enterprises of this country, then clearly it would bankrupt the nation, as our present earning capacity stands, if we should attempt to provide the adequate pensions that people think they ought to have.

ON THE other side of the thought spectrum are the ultra-individualists, most of them probably fairly well-off, who violently decry the establishment of any type of economic floor which might be construed as "guaranteeing" a level of subsistence below which society will not allow an aged person to fall. Such plans, particularly if they are government-administered, are looked upon as inefficient (which they can be), socialistic (which they sometimes are, though not necessarily), and a deterrent to initiative (which might be so with some people, though certainly not with all, and is beside the point, anyway).

The overwhelming majority of the people in this country are convinced that when a man or woman reaches retirement age, chronologically or physically, he has a right to expect certain monetary provisions which will keep him from

want. The one fact that so large a proportion of our population has this expectant attitude is justification enough to set individual citizens, legislators and businessmen to thinking about old-age security plans.

People vote and bring governments to power. If logic does not prevail in matters of social security, then false promises will. Social security for the aged will in one form or another be a permanent consideration for the U.S. Government. That there are aged people who are in dire need for almost the barest necessities of life gives added impetus to those who seek to evolve logical solutions.

There are some saddening statistics which show that more than 2.6 million Americans over the age of sixty-five are now dependent upon public relief. A survey by the Social Security Administration has disclosed that twenty-nine out of every one hundred persons over sixty-five years of age had no money income of any kind in 1951; the other 71 percent had a median income of only \$781 a year, or \$15.02 a week.

BY 1960 the number of people in the United States over sixty-five years of age will reach sixteen million, and it will continue to rise thereafter. It is not heartening to learn that seven out of ten Americans reach the age of sixty-five with less than 2,000 dollars in as-

sets, or that one out of every four have no assets at all upon retirement.

The lesson to be derived from the statistics quoted above is that large numbers of our older people find themselves in financial difficulty precisely at a time when their capacity to earn is weakened or curtailed. What, therefore, do we propose to do about it? If we cannot do all that would be ideal, then how much that would be practical?

Some guideposts to the solution of these problems were developed by the first seminar of the American Assembly which met last November. The American Assembly, originally founded by President Eisenhower when he headed Columbia University, was attended by leaders of business, labor, government, private research groups and education. For three discussion-packed days the Assembly dissected the subject of economic security for Americans. The results of this discussion formed the basis for the President's social security message to Congress in mid-January of this year.

THE DETAILS of the proposed changes in the social security law have received a great deal of publicity (a testimonial to the universal interest in the subject), so that we need not go into them here. The desire to extend the area of coverage by bringing more people under

the program is a move to erase inequities of administration—under which some wage-earners are covered by a national retirement program and others are not. The desire to increase the sums involved in pension payments is, unfortunately, little more than an adjustment to an era when the value of the dollar has seriously declined almost constantly since 1935 when the social security program first went into effect.

Thus, those who were receiving eighty-five dollars per month in 1945 under the present laws were no worse off than those who will be receiving \$108.50 per month in 1957—if the President's proposals go through. In both instances, the sums indicated represent *maximum* payments under the present and proposed laws. To be sure there are many appreciable increases in the various types of benefits which will go not only to retired individuals but to couples over sixty-five years of age, widows, widowed mothers, etc. But aside from righting some of the more blatant inequities, the fact of the matter is that in terms of real money security the pensioner of the future will realize little more than the pensioner of the past.

This is not to say that the proposals are worthless. Indeed, they are very worth-while and necessary if for no other reason than the fact that they restore the purchasing

power of the pensioner to what it was ten years ago. But this does not increase the degree of security, nor does it call attention to the economic conditions and attitudes which could increase the chances for a more secure old age.

THERE IS one inviolable principle in this matter of old age security which even the most rabid "dogooders" must come to recognize if their wishes are ever to be fulfilled. A society can provide economic security only to the extent that its economy remains productive enough to provide the minimum needs of everyone—without forfeiting its future progress and growth.

This simply amounts to the old adage that you get out of something only as much as you put into it. Curiously enough, it is often forgotten that the thing we call "society" is made up of the sum total of individuals. Therefore, the attitude with which a society seeks to provide security in old age is a total reflection of the attitude with which people seek to work out their individual security. There must be some relationship between individual contribution and subsequent reward. In this regard, at least, the present Government-administered pension plan (Old Age and Survivors Insurance) is within the realm of reason.

It is significant that the Amer-

ican Assembly seminar of last November, which carefully studied the pertinent statistics of old age security and came up with some very definite dollars-and-cents proposals, resolved that individual thrift "should continue to be a major element in the American pattern of economic security."

Of course, it can be logically argued that there are a great many individuals who for a variety of acceptable reasons simply cannot save enough to keep themselves comfortably alive during old age. Well, few will answer that people like that should be left out in the cold. This is precisely the reason why there is so much preoccupation with the problems of old age security. Yet, no matter how and from whichever direction we approach the problem of determining how much security can be had, the individual's contributions to his society and to himself become a determining factor. The man who has saved more will perforce be more secure. The man who has put more money in insurance, investments, pension funds, whether privately administered or by the Government, will be more secure than the man who has put in less. These are the realities of life.

DURING the American Assembly seminar, Mrs. Oveta Culp Hobby, who heads the Federal Government's Department of Health, Ed-

ucation and Welfare, graphically described economic security as a three-legged stool: one leg being personal thrift and enterprise; the second being an extension of pension planning by industry; and the third, Government participation. Without any one of these legs, Mrs. Hobby pointed out, the stool collapses.

Now, in regard to the role of business and industry in the individual's security, the greatest challenge undoubtedly is in the maintenance of stable employment. But it must be remembered that business no longer operates in the vacuum that Adam Smith hoped it would. Employment levels are today as much, if not more, determined by cold wars, hot wars and decisions of government as they are by business attitudes. Here is a problem with which the businessman alone cannot cope. The extension of pension coverage, however, is something more nearly in his own domain. But even here there is one limitation which must be kept closely in mind. Pension contributions by an employer are a charge against his business. Therefore, the size of the pension must have absolute correlation with the degree of economic health of the business. There will always be arguments over what an industry can afford and what it cannot afford. Such arguments can be resolved so long as negotiating parties remember

that they are discussing matters of *long-range mutual interest* rather than of short-sighted partisan gains.

But there are some things business and industry can start doing right now to improve the pension situation. Too many of their current plans make it "undesirable" and even impossible to hire new workers over forty years of age. Too many industry plans impede job mobility by tying an employee down to his job; he is motivated by the fear of losing his pension rights by a change in employment. Certainly some method of transferring such rights could be worked out so that benefits would not be lost by a change of jobs. Reconsideration is also in order where retirement at an arbitrarily designated age is mandatory under industry pension plans. Such a practice ignores the now proved fact that a man is as old as he feels. Many years of gainful and productive employment are lost because of arbitrary retirement plans—much to the detriment of the individual, the nation and to the business community as well.

FINALLY, when we come to that third leg of the three-legged stool Mrs. Hobby spoke of, the Government, we find that here is an agency admirably suited to give us guidance and direction. We are now dependent upon the Government to

provide us with most of the statistical material required for any analysis such as the one conducted during the proceedings of the American Assembly. The Government is also administrator of the largest and most comprehensive pension system in this country today. As such it is bound to exert a profound influence upon the future course of our planning for old age security. It therefore becomes particularly incumbent upon Government to pursue fiscal and monetary policies of the most realistic kind. Inflation is the deadly enemy of pensioners. An invaluable contribution by Government would be a relentless campaign to expose the very inflationary follies to which Government itself so often resorts, often with the full approval of the public.

One more thing the Government can do. It can, in more realistic terms, explain to the public the exact status of the social security fund. The manner in which this fund is handled is one of the least understood, and most misunderstood features of the whole social security program. According to the way the public sees it, and apparent-

ly most of the press as well, income into the fund is presently at the rate of 4.4 billion dollars annually. Outgo is about 3.1 billion dollars annually. This presumably means that the fund is growing annually by about 1.3 billion dollars. Actually, the Treasury deposits Government bonds with the fund and uses the 1.3 billion dollars to help pay the current expenses of Government. Therefore, whatever surplus or reserve there is in the fund (currently computed to be 18.7 billion dollars) is in the form of Treasury I.O.U.'s—which, although they pay interest, must eventually be redeemed by taxing future generations or by further borrowing. In short, present contributions to the fund through payroll deductions do not in any sense constitute a "saving" to be used in old age. It is the productivity of the economy of the future which must eventually sustain us all—young and old alike.

It would seem, then, that we are back where we started. There is no substitute for an economy that can produce enough to sustain everyone. How well we are sustained depends upon how well we produce. ■



A Word to the Wise

The "Dust Bowl" was created in part by the insistent demand for wheat that accompanied World War I and that brought into crop production millions of acres better suited for grass and for livestock production. During the drought of the 1930s, these areas became desert land.

Shrimp men of two nations stop fighting and launch a trawler-to-table campaign to net a bigger share of the family food budget

Shrimp, Diplomacy and Tonight's Supper

by Ruel McDaniel



THE TEXAS shrimp boat was silhouetted against the night lights of Tampico, Mexico as it eased through the warm Gulf waters. Its 110-foot net was dragging the bottom for shrimp only six miles from the shore line. Suddenly the night was rent with the flash and roar from the cannon of a Mexican gunboat.

There was a hurried scrambling on the deck of the trawler as the surprised Texans switched on the winch full-power. The straining wire cables, which spread the net, shot to the surface and the swelling bag emerged against the side. But it was too late. The Mexican naval craft drew athwart.

During the past few months, shrimp boats from as far away as Georgia had been gathering to rake

Mexico's coastline after dark for a newly discovered abundance of nocturnal brown-sheathed "brasilians." To the southeast, American shrimpers were also busy along the Yucatan peninsula, having more recently turned up a vast new bed of tasty "Yucatan pinks." The tip of Texas at Brownsville and Port Isabel, bordering Mexico, had taken over major shore activity of the industry from Louisiana.

All this American activity appeared to the Mexicans to be an affront to their national sovereignty. They claimed all waters out to the twelve-mile limit and looked upon the American shrimpers as

Ruel McDaniel, free-lance writer of Port Lavaca, Tex., here gives a first-hand account of the shrimp-fishing situation in the Gulf area.

poachers who were depleting shrimp beds which should be reserved for Mexicans. Warnings had been issued that the Mexican navy would act, and when the warning went unheeded nearly a score of Texas shrimp boats were pounced upon. The crews were thrown behind bars and the cargoes confiscated.

From Washington our State Department dispatched an Assistant Secretary who was able to arrange the release of the men and boats and the payment of fines. But this left the basic issue up in the air, for our Government insisted that Mexico's territorial jurisdiction reached only to the three-mile limit off shore. As rancor mounted over this dispute, some Texans talked of bolting machine guns to the decks of their boats.

PROBABLY the friction would not have become so heated had the American shrimp market been able to absorb the large hauls that were being brought in from the Gulf. With the shrimp men of both countries competing for the same market and a price decline developing because of the glut, the ill-feeling between the two groups was aggravated to the breaking point.

The Mexicans avowed that Americans were drawing their increased production from Mexican waters. The Texas shrimpers retaliated with their long-standing charge that Mexican shrimp was entering

the United States duty-free. With the Mexican production mounting from ten million pounds per year to a forty-million-pound figure—which approximated their own—the blood pressure of the Texans was at a boiling point. Blaming the swamped market on the increase in duty-free imports, they organized the Texas Shrimp Association and girded to fight for a tariff.

AT THIS point, in April of 1951, the National Fisheries Institute held its annual convention in Boston. Shrimp men from both the United States and Mexico attended. The Texans saw to it that the prospective tariff on shrimp became a hot issue.

But one Mexican, educated in the United States and familiar with *Yanqui* attitudes, took up the question in terms that commanded respectful ears from all sides. The problem, according to Hector Ferreira, a leading shrimp man of Guaymas, Sonora, was not one of fishing or selling rights.

Buttonholing one of the Texas shrimp men he knew, he said: "You fellows want a tariff. Naturally we don't. You want to fish Mexican waters. We don't particularly like it. But there's opportunity for all. We don't have over-production, only under-consumption. We should stop fighting and work together to promote a bigger shrimp market in the United States."

It sounded good to the Texan. So good, in fact, that several of his compatriots and a few Mexicans got together that night in room 1103 of the Statler Hotel. Milton Lindner of the U.S. Fish and Wildlife Service took the role of moderator. (As a representative of the United States, he had worked with Mexican officials several years earlier to help develop their fisheries.) There was general agreement that working members of the industry from the two nations might solve their problems a lot easier than the diplomats of their respective governments.

This was the first bipartisan attempt to solve the problems of the industry after years of elbowing for advantages in the market.

The outcome of these discussions was a merger of the Texas Shrimp Association and the *Camara Nacional de la Pesquera, S.A.* into a new organization, the Shrimp Association of the Americas. The Texans no longer pressed for a tariff, and the Mexicans suggested that their navy look more kindly upon Texas shrimpers ranging the Mexican coast. Today, when differences arise, the Association steps in to help ease them.

IT IS estimated we spend 26 percent of our total family income for food in the United States. And we eat 75 percent of our meals at home. But the present market for shrimp

is mainly institutional—hotels and restaurants. As the first big step to improve this situation, the Shrimp Association set up a year's fund of 50,000 dollars and hired a top advertising agency to promote the values of shrimp to American housewives.

The fact that shrimp is high in protein and minerals (especially iodine), and low in calories, is being emphasized. Packaging gets high-priced creative attention. Recipes with eye-catching photographs flow to food editors of newspapers and magazines. For more new ideas on cooking, leading chefs are being sought out. One of them has come up with a breaded specialty which is already catching on nationally with homemakers.

LAST YEAR SOME 170 million pounds of shrimp were sold in this country, or only slightly more than one pound per person. By way of comparison, statistics show that the average American puts away about twelve pounds of fish and 155 pounds of meat. The shrimp people see a busy and profitable future in promoting their product from a delicacy to a more widely used food.

Hand in hand with promotion go efforts to standardize quality; in the shrimp business this begins with loading and packing. On some diesel-powered trawlers now cutting Gulf waters, the catch is "headed" and packed in ice within

thirty minutes after the trip-line has been pulled. Several of the newer boats even freeze the shrimp on board in five-pound cartons. This may not become a big-scale practice, however, because today's rising demand encourages the boats to return quickly and unload whether full or not.

Processing plants ashore in the U.S. and Mexico alike are working faster and cleaner, following recommendations of the Association. Subsidized research in further quality control is being pushed at three universities—the University of Texas, Louisiana State University and the University of Miami.

As one indication of the impact of the new working group upon the industry, the Southeastern Fisheries Association sought and was given membership in the organization last year. This brought in many big and small fleet operators of Florida and Georgia.

THE BIGGEST catches of the year still pile up in September and October, though changes in natural breeding and feeding conditions

sometimes play hob with production. At this writing, according to the U.S. Fish and Wildlife Service, there is an accumulation of recent heavy loads, and wholesale prices seem ready to taper downward. But over the last two years the soaring and diving of prices between the peaks and valleys of production shows definite signs of diminishing.

The demand for shrimp has steadily risen since World War II, and in the two years of its existence the Shrimp Association has contributed to a market spurt of about 12 percent.

"The industry can now sell all it can produce," a representative of the Association stated. There is no more talk of jailing crews, mounting guns or slapping on tariffs. The idea germinated amid unofficial cigar-smoke by Señor Ferreira and his friends has taken healthy root. By recognizing that the consumer is king and kingpin in any market, the shrimp industries of both Mexico and the United States are reaping the benefits of their own enterprise to an ever-increasing degree. ■



Wage Statistics

During the two and a half years following the outbreak of the Korean war, average hourly earnings increased approximately 21 percent in industries manufacturing durable goods, about 15 percent in non-durable goods manufacturing, about 20 percent in building construction and about 13 percent in retail trade.

For the guidance of those who seek to be illustrious, here are the pursuits which seem most likely to lead to a distinctive career

How to Leave a FOOTPRINT

by F. W. Brown

IF YOU CHOOSE piracy or burglary for your vocation you stand an outside chance of achieving lasting fame. But your prospects will be better if you become an inventor or musician, and best if you go in for writing or politics or the ministry.

These helpful hints are culled from a tome which might well have been titled "How to Leave a Footprint," for it is potentially as useful to career-minded novices as a cookbook is to a bride. Since those who produced it were not publicists but scholars, however, it is called simply the Index to the *Dictionary of American Biography*.

The multi-volumed *Dictionary* gives terse accounts of the lives of more than 15,000 men and women

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(none living) who have made what the editors call "significant contributions" to American life.

To the beginner with an eye to posthumous fame it might at first be perplexing to find that the Index divides its entries into nearly seven hundred occupations. But some of these contain only one or two names, while a few boast thousands of "significant contributors."

Do the bigger occupational groups offer brighter hopes of eminent ghosthood than the smaller? There are 186 biographies of outstanding surgeons (the kind who operate on people) to only one lone account of a surgeon who operated on trees. But this does not necessarily mean that your chances of becoming immortal in the field of surgical medicine are 186 times as good as they are in the realm of tree surgery. There are a number of other fac-

tors to be considered, such as the age of the profession and the number of persons who have practiced it. Take, for example, the field of electronics.

Today, electronics specialists are contributing greatly to our civilization; but the biographical dictionary does not give them a single entry. Indeed, it lists only twenty-six electrical engineers.

Nevertheless, it cannot be mere chance that throughout many generations, members of a few favored vocations have continued to take up the lion's share of space. If history is even a moderately reliable guide, it seems safe to assume that the occupations listed below by number of entries in the volume give their new followers the greatest possibility of being remembered beyond the twentieth century:

writers	3554
politicians	2527
religious leaders	2272
lawyers	1622
educators	1432
soldiers	1237
scientists or scholars	1133
physicians	998
artists	641
merchants	602
engineers	455
inventors	399
manufacturers	392
financiers	372
naval officers	367
agriculturists	345
musicians	321
reformers	320
philanthropists	275
actors and actresses	188

What about the *kinds* of religious leaders and so on? For the sake of convenience, chaplains and bishops and clergymen of all sorts have been included in the list of "religious leaders"; illustrators, sculptors and the like have been classified as "artists"; bankers and capitalists as "financiers."

Admittedly, this merging of kindred vocations screens out much flexibility and color, as can be seen when you take 33 entomologists, 3 Assyriologists, 6 oceanographers, 14 meteorologists, 23 paleontologists, etc., etc., and bundle them all together to make 1,133 "scientists or scholars." And what a collection of polysyllables sinks without a trace when "physicians" is made to stand for ophthalmologists, laryngologists, neuropathologists, pediatricians, obstetricians, and other *ologists* and *icians* by the dozens!

Not just *ologists* and *icians* and members of the traditionally solid professions crowd the *Dictionary*.

Here are recorded, for instance, the careers of 7 desperadoes, 6 pirates, 6 agitators, 3 anarchists, 2 gamblers, and 2 outlaws. With them appears a sprinkling of privateers, spies, bandits, buccaneers, brigands and burglars. The index distinguishes among these specialists with care.

SUCH unorthodox callings total only one-fifth of one percent of the

Dictionary's population, however. On the basis of the past, at least, those who choose the law-abiding side of the fence along with the 58 economists, 45 horticulturists, 35 labor leaders, 11 art collectors, et al., will win greater renown.

Jammed though the main gates to immortality may be with writers, politicians, clergymen, lawyers and their ilk, there are a few side entrances left open for baseball players, chess players, bridge players, football coaches, pugilists, yachtsmen, jockeys, horse tamers and walkers (one).

Twenty-six feminists have crashed the gates, as have 3 heroines, 4 hostesses, a markswoman, a baker, a balloonist, a blockade runner, a clown, a cowboy, a diamond-cutter, a diver, 3 hunters, an Indian captive, 2 lobbyists, a lock expert, 2 magicians, a midget, 2 oysterculturists, a patent medicine king, a peddler, a penman, a phonetic spelling pioneer, 3 phrenologists, 3 regicides, 7 revolutionists, 3 soldiers of fortune, 2 traitors, a vagrant (while the gatekeepers were looking the other way), a ventriloquist, 2 witchcraft victims and a wrecker. A motorist also entered (having stepped out of his car).

THE DICTIONARY'S occupational listings are not without their pitfalls for the unwary.

Consider, for instance, a certain pursuit of which every single practitioner has been promoted into immortality. No known employment agencies are offering any openings in this line, that of signers of the Declaration of Independence, today.

More or less the same limitations apply to the pioneers, who with 91 among the elect appear to have done pretty well for themselves; the abolitionists follow with 73; the Indian chiefs and loyalists with 58 apiece; the Pilgrims with 7; and the slaves with 5. It seems unlikely that any modern youth, no matter how gifted and ambitious, stands a very lively chance of leaving his footprints on the sands of future time under one of these banners.

Even with such disappointments as these, however, there are compensations—such as the encouragement to versatile or restless souls who have difficulty settling down to any one, exclusive pursuit. In an age when we are constantly being told that to get ahead we must specialize, specialize, and specialize, it is heartening to discover how some of our greatest men have absolutely refused to do so. Typical is Benjamin Franklin, who may be found in 7 classifications: printer, author, philanthropist, inventor, statesman, diplomat and scientist (electrophysicist). ■

*Why do Europeans continue to invest billions of their savings
in other parts of the world while their own economies
remain stunted for lack of investment capital*

CAN EUROPE FINANCE HERSELF?

by Egon Kaskeline

NOW THAT United States dollar-aid to Western Europe is slackening and Congress balks at sending more billions for Europe's economic recovery, alarmists have been predicting the collapse of the Old World's economy and the subsequent crumbling of our carefully constructed system of alliances.

Naturally, Americans have a vital interest in an economically healthy Europe—although the United States will not permanently underwrite a guarantee of such health. The first question which therefore comes to mind is: What resources do Europeans have with which to help themselves? The answer, though it may astonish many, is that Europeans actually have a great deal of money which can be used to refinance themselves into better economic health.

At a time when spokesmen of European nations clamor for additional American credits, large sums of investment capital are steadily

being drained out of Europe and flowing into overseas countries. Since 1945 not less than eight and possibly ten billion dollars of West European private capital has been invested outside the Continent. This figure compares most favorably with the eight and three-quarter billion dollars invested abroad by American private enterprise during the same period.

Europe's money has flowed into Asia, Africa, North and South America and has found remunerative employment in financing mines, factories, plantations, public utilities and transportation. Quite often the economic risks abroad have been greater than those customary at home.

This exportation of capital persists while the economies of indi-

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vidual countries remain shaky. Lack of investment capital hampers the growth of a balanced economy in Western Europe. Of course not all investments are of equal importance. Due to the Marshall Plan bonanza, some industries are already over-expanded. It is, for instance, doubtful whether the new expansion program of the European Coal and Steel Community will prove practical. The steel-making capacity of the Continent seems overabundant today with sales having dropped considerably in past months. On the other hand, according to the U. N. Economic Commission for Europe, there is "a real need for more and better-directed investment" in almost all industries consuming steel. What Europe needs urgently is capital to expand its consumer goods industries.

UNLESS West Europe increases her investments at home, she cannot expect her economy to keep pace with Russia's in rate of growth, or, eventually, in absolute volume of production. The USSR has been adding to its national income at an annual rate of five to six percent. The countries of West Europe have in the last years averaged only a poor two percent.

Admittedly, some of Europe's wandering capital serves to build the economies of the world's underdeveloped areas. But most of it,

though welcomed abroad, has not been invested with that as the primary purpose. In any case, are such investments abroad by Europe economically logical so long as her own home economies are, in a sense, underdeveloped themselves?

The European tradition of putting capital to work overseas is an old one. And since 1945, English, West German, French, Swiss, Belgian and Dutch investors have been acting in a way to lend support to this tradition.

The British, for centuries the world's leading bankers, prefer to put their money into holding companies which encourage industrial and trade enterprise in those countries where they are located. It is as if the City of London had sent out giant shoots into Canada, Australia, India, Latin America and Africa, where home-born businessmen have organized their own little "cities" with the cooperation of British financiers. The British capitalists entrust operations to their local partners, who frequently have had a thorough apprenticeship in British banking and business methods. These British-inspired enterprises have certain distinct traits: they try to share profits with local businessmen, and they try to steer clear of government interference.

THE GERMANS have a different conception of doing business

abroad. They are industrialists first and bankers only out of necessity. They do not remain aloof and are willing to take big risks.

Except in Latin America and South Africa, there are few German-trained local businessmen to link the prospective investors with domestic business interests. In most countries where the Germans seek admittance, their prewar investments have been wiped out. But their prestige as efficient organizers and first-class technicians has remained alive.

Their defeat in the last war has proved to be an asset today. They are no longer considered imperialists or colonizers. Countries like Egypt and India, which only recently won political independence, hope to bolster their economies by using the talents and initiative of their West German visitors.

Accustomed to government subsidies and regulations at home, it is natural for the Germans to work easily with foreign governments. Most of their new ventures abroad call for government cooperation. The big iron and steel works now rising in India, Egypt and Brazil, and the huge electric power projects in the Nile Valley and in South America are all examples of national development plans going forward under German auspices.

German investments in these half-private, half-government-financed enterprises are facilitated

by the large commercial balances the West Germans are accumulating overseas. Krupp, once famous as an armaments maker, is building new steel mills in India and expects to secure future orders for his rebuilt and modernized factories in the Ruhr.

THERE IS a strong element of capital flight in France's recent investments. In contrast to those of the British and Germans, most French funds have been sent abroad clandestinely. The French Government has discouraged all capital exports except those to France's territories overseas.

In their choice of investments, French capitalists are motivated to a large extent by the many disappointments they have suffered in the last decades. They have preferred, as a rule, to invest in long-established enterprises like Mexican and Central American department stores and Venezuelan oil companies which promise steady and secure profits. They do not try to assume leadership in new business ventures, as do the Germans, or to exercise indirect control as the British. Instead, they are satisfied with placing financial observers, assisted by technicians, into key positions in French-financed enterprises.

The Swiss, in proportion to the size of their country, have invested two or three times more money

abroad than have American capitalists. Belgian investments, encouraged by the government, have flowed mainly into her booming Congo colony. Both Belgians and Swiss also hold important investments in Latin America.

THE SUDDEN wealth of European risk capital entering the financial markets of the world has surprised even the most experienced observers. Old patterns of investment do not adequately explain the exodus of funds from Europe, nor does the desire to create new markets abroad. Rather, this movement of money has been motivated by four principal factors which have arisen since World War II:

(1) The anti-capitalist policies of many European countries.

(2) The monopolistic set-up of most European industries which makes for large "industrial duchies" and gives little, if any, leeway to new enterprise.

(3) The emergence of an entirely new class of investors who have reason to shun the limelight at home.

(4) A general mood of despondency and hopelessness, which has made European capitalists fear for the continuation of their way of life and the independence of their countries, threatened by Communist aggression.

In some European countries, such as Britain and France, the ideal of

the "welfare state" has meant heavy capital levies and taxes. In West Germany, the tendency to strengthen large industries and to form industrial combines has weakened the position of labor and of the small entrepreneur.

Besides the emergence of monopolies, which mostly rely on self-financing or on public money and do not offer the private investor worth-while opportunities, many secure and lucrative industries have been taken out of the capital market altogether. The former stockholders of nationalized industries in Britain and France are now holders of government bonds.

PROMINENT among the new class of investors who prefer to hide their faces are the onetime "kings of the black market," the profiteers who made money from shady deals during and after the war. Of even greater weight are the more "respectable" types: shrewd peasants who accumulated wealth in years of shortage by squeezing city people; hundreds, if not thousands, of merchants and industrialists who circumvented complex exchange regulations and high taxes. The foreign investments of these people represent "flight" capital.

But large sums of money are still accumulating. Europeans as a rule are thrifty, and savings accounts have gone up everywhere in Western Europe. The increase in

postal savings, for example, is a barometer of the capital available for investment, much of which could be channeled into projects of growth and expansion.

Recently, a new source of investment capital has opened up—namely, the huge private treasure hordes that have regularly absorbed almost one-third of the free world's gold output over the past eight years. This "hidden" gold has been estimated to add up to between six and eight billion dollars. During the past six months the price of gold has dropped by 20 percent on the free market, partly as a consequence of massive sales by the Russians. Now, the louis d'ors, the gold rubles and other gold pieces adorned with the whole galaxy of bygone European potentates are no longer sought after. European hoarders are buying bank notes of hard currency countries, pouring funds into their accounts at home or in Switzerland, and scanning opportunities for profitable investment abroad.

It is an unhealthy situation that Europeans should leave the financing of their own industrial projects to U. S. Government funds and show so little interest in business expansion at home. Interest rates in Western Europe for long-term capital run as high as 10 percent and more. On the other hand, there is plenty of cheap short-term money around. The European capi-

talist likes to keep his surplus money in liquid form and not invest it in enterprises that will show profits only on a long-term basis. As a consequence of this attitude, the European capital market does not function.

A typical example can be seen in the plans to expand and modernize the steel mills, coal mines and power plants of the European Coal and Steel Community at a cost of two billion dollars. In his first talks with Secretary of State Dulles, M. Jean Monnet, the President of the High Authority of the Community, suggested a large U. S. loan—half a billion dollars—at low interest rates and indicated he would not appeal to the European capital market for funds. However, last February their talks developed along more hopeful lines. Because of American doubts about the present pattern of her economic aid to Europe, it appears that two crucial steps will be taken to supplement a U. S. loan: first, the reparation of part of the huge sums of European capital invested in the United States and elsewhere; and secondly, efforts to encourage private investment in Western Europe's coal and steel industries.

THE REASON for the paralysis of the European capital market is basically psychological. It can be restored only if Europeans regain confidence in the future of their

continent. And this is both a political and an economic issue.

Europeans have become increasingly aware that they must live and work together, or fall victim to external aggression invited by internal disintegration. The framework for a coordinated Europe has already been drawn. But as long as each nation jealously defends its full sovereignty and shields its vested interests behind tariff and other barriers, all high-sounding plans will remain on paper.

Another deep rift still divides the nations of Western Europe—the rift between the rich and the poor. Especially in France and Italy the common man has not received a fair share of the American-sponsored post-war prosperity. While heavy industry booms and industrialists pocket large profits, living standards for the bulk of the population have remained low.

Yet if the machinery for production and the accumulation of capital can be restored, Europe can start to solve the problem of mass production. Europe's hidden savings

must be mobilized, sending new funds into industry to produce consumer goods, at lower costs, lower prices and in more generous quantities.

In the eyes of Europe, the clouds of a new war, which have hung over her post-war horizons, are at last drifting away. Her hard-working and thrifty millions may become more willing to invest in Europe's growth. A committee of European and American financial experts concluded at their recent meetings in Paris and Washington that direct "technical" measures are not likely to succeed in mobilizing Europe's hidden wealth. What is needed is a change in the political and economic climate of the continent.

They agreed that the permanent recovery of Europe depends to a great extent upon the restoration of a normally functioning capital market.

What Europe needs most is something which only Europeans can give to themselves—namely, self-confidence. ■



The Power of a Trademark

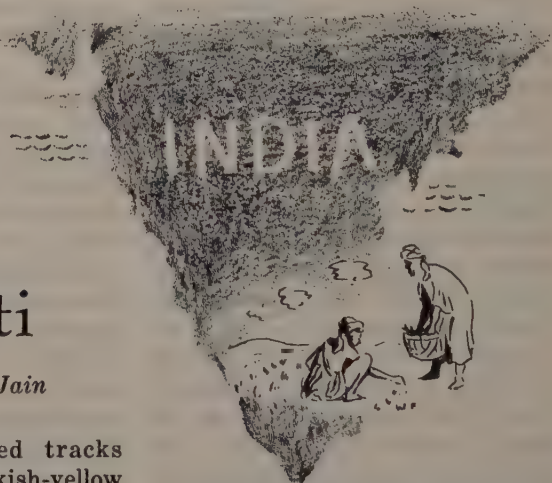
Smokey Bear's earning power is quietly on the rise. The Agriculture Department has modestly kept this unchronicled, but the number of commercial users of the U.S. Forest Service's clever trademark of fire prevention has more than doubled in the last six months. It'll mean bigger royalties for the Government (more than 25,000 dollars earned since May, 1952), with the revenue plowed right back into the fire prevention drive which is figured as having saved fifty million dollars worth of timber in the last five years.

—Tide

An Indian writer journeys to a remote village to report progress in his nation's community development program

The New Stir in Kallupatti

by Gyanendra P. Jain



OUR JEEP furrowed tracks through the pinkish-yellow *ragi* sprouts in the cultivated field. We were filled with shame, but there was no other route we could take. The village of Kallupatti in South India hides between the blue hills of Sirumalai and Kodaikanal, three miles from the nearest road and eleven miles from a railway station. Not until we were fifty yards away did we realize it was there!

Not so long ago the only outsider whom the five hundred inhabitants saw at regular intervals was the land-tax gatherer. It is different today.

On October 2 (Mahatma Gandhi's birthday) of 1952, India's Community Development Program was inaugurated with the aid of the United States. The program takes

in 16,500 villages like Kallupatti. Central administration is with the National Planning Commission, of which Prime Minister Jawaharlal Nehru is chairman, but initiative is encouraged throughout the network of States, projects, "blocks" and villages.

The U. S. Government has contributed fifty million dollars while India has set up a like amount in rupees. This money finances the work of fifty-five separately staffed projects. Each of these embraces three development "blocks" of one hundred villages apiece. The total program at this early stage involves about ten million people.

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The broad opening aim is, of course, to improve the country's economy, mainly an agricultural one. Increasing food output and handicraft skills, along with alleviating disease and spreading literacy and communications form the core of the program.

In the past, India has spent about 600 million dollars a year to buy food from other countries. Every additional pound of rice or wheat produced through community development helps to reduce this financial drain. The savings thus made will go to build up the industry which India needs to turn out more low-cost consumer goods.

ACHIEVEMENTS of the past year-and-a-half do not loom large when one considers the magnitude of the task, but their immediate real value is tremendous in spiritual terms.

The farmers no longer wait for help in every problem. The impression I gained in little Kallupatti was that the men feel capable of improving their own lot, unaided—though they will continue to welcome technical guidance.

The earnest oxen-drover, who contributed forty rupees to help build the first school in the village, started a ring of attentive heads nodding when he told me, "If God sends us more showers (meaning if the crop is good) we shall not even take the little help that we are now taking from the Government

to run our school. We shall be on our own."

To a certain extent these words reflect stubborn insularism and an age-old dependence on unpredictable nature. But at the same time, and more importantly, they bespeak a rising faith in human ingenuity.

The success-in-character of the Community Development Program depends on the vigor of this local faith and action. And the stakes are not just a new school here, another road there and a hospital somewhere else. Of the two competing ideologies in Asia, as the Prime Minister has said repeatedly, the one that delivers the goods faster and in more abundance will win the allegiance of the millions of people inhabiting this huge land mass.

Naturally, growing more food takes priority over all other endeavors, and initial projects have been set going where there is enough rainfall or irrigation to begin with. This will bring the quickest returns. Kallupatti meets these standards as part of the Periyar project in Madras State. I sought it out especially as an off-the-beaten-track community that would give me an accurate insight into how well the Community Development Program is doing.

BEFORE I left for the village, the executive director of the Periyar

project, Dr. (Mrs.) Soundaram Ramachandran, warned me not to expect too much.

For the first time in many years a drought had struck, drying up three-fourths of the crop, and the people were reportedly downcast. But I found no trace of it. I arrived with Mr. V. Padmanabhan, the assistant executive officer of the project, and Mr. Mohan Sundaram, the young local *Gram Sewak* (servant of the village people). The honking of the jeep's horn brought out the entire populace immediately—except those in the fields.

A half-dozen voices rose at once in answer to our questions, anxious to tell of what had been achieved. The people are caste Hindus—"grounders," they call themselves. They live entirely by farming, producing mostly ragi, milk and eggs.

The small houses of red clay huddled in circles, their low archways opening toward a kind of courtyard. All but the children had to bend in coming out of the murky interiors to cluster around us. No shopping center or main street appeared; we could have jounced through the whole place in five minutes. There was no police force and no court, but the grizzled village *Natameh* (head) and the other elders assured me all disputes are settled firmly but amicably.

WE STEPPED OUT at the first and tallest building we had seen on

approaching, the proud new primary school building. The villagers told us they had put it up in a week of voluntary day and night labor. Materials cost four hundred rupees (a rupee is equivalent to twenty-one cents), and its simple furnishings cost another one hundred rupees. Paying partly in cash and partly in work, the local families bore the entire expense.

Amazingly, this was the first improvement voted by the illiterate village people. When I asked the farmer who had given forty rupees what return he expected, he replied emphatically: "Our children won't have to go to school far from the village. Besides, this is our school, and I am proud of it."

Previously, when they had to tread three miles to the next village, not more than fifteen children went to school. Now thirty-seven boys and fifteen girls attend, tuition-free. Half go in the morning and half in the afternoon, leaving part of the day for family chores.

About twenty-five youngsters between four and ten years old were squatting on the floor the morning we entered. Most of them wore just a loose shirt to the knees. They were holding books paid for by their parents. Class 1 was studying Tamil (a language widespread in South India); Class 2 was in history. Their third subject is arithmetic.

Forty-five-year-old Punappa, the only literate man in the village, corresponds with the Government on school matters and heads the local committee. The salaries of the two teachers brought from the outside, he explained, are paid from the project's funds.

Kallupatti has not heard of modern teaching methods. The children were learning almost entirely by rote from their books. The two pedagogues I met no doubt cling to the adage: "Spare the rod, spoil the child." They had engraved high-sounding mottoes on the walls. The room was neat, but forbidding by grammar school standards in America. But from the way they thrust their hands in the air, the children all seemed eager to learn.

Even more happy were their parents, who peeked in frequently as if to reassure themselves that their children were really enjoying a privilege they had been denied.

TO THE villagers their second most urgent need was a clean well for drinking water. They had gone without this bare necessity for years out of memory! The shallow irrigation ditches which catch rain water had provided their only source.

Sharing more than half the cost, the villagers acquired a deep cemented structure five and one-half feet wide. Plain and severely practical as it was, it glistened in the

sun as a focus of village gossip and play. We watched Kallupatti's solitary *Harijan* (untouchable) dip for a drink without interference.

Strolling out to the surrounding fields, we were attracted by uproarious sounds from the direction of an irrigation ditch. We found a farmer and his wide-grinning son scooping up muddy water with a sack-like leather bucket dangling from a boom hitched to a pair of oxen. The boy was driving the ponderous gray beasts a short distance for each "pull." As each bucketful rose, the father let out a shriek, warning the boy to slow down.

Every family holds at least a bit of land. The richest might have as many as six acres with two irrigation wells or ditches; the poorest one-fifth of an acre and no well. Among them they own three hundred acres of cropland, forty cows and about one hundred oxen. But Kallupatti still does not have any of the wondrous farm equipment that can be found in most of the Western world.

When the farmer heads for his fields at dawn, he balances the one-furrow plow on his shoulder as his ancestors did centuries ago. He and his animals hew the ground until midday when his wife brings lunch. Work then continues until dark. At harvest time the women and children help gather the crop.

Because the dry soil of Kallupatti will not yield rice, the staple food

of South India, ragi is grown instead. Of the millet family of cereals, it grows to four or five feet in height and bears a tiny, round white grain. The women of the village boil ragi like rice and season it with salt and pepper. Sometimes they grind it into flour and serve it fried, mixed with sugar.

With good soil and timely rains as many as four crops a year could be grown. But Kallupatti has never had more than two. The agricultural experts of the project have introduced a hundred pounds of improved seed which already have led to thicker crops. They have also taught the villagers to make fertilizing compost from manure instead of pressing it into slabs for fuel. In addition, seven families of Kallupatti have been extended loans of two hundred rupees each so that they can dig new irrigation wells or deepen old ones.

At first the village people argued and hung back when asked to shed old habits, but the results are now convincing them.

HARDLY ever did a doctor or nurse reach the sick and lame of Kallupatti in the old days. But now, within each "block" of a hundred villages, one doctor, one compounder, one health inspector and one health visitor make regular rounds. A centrally located hospital treats the worst cases when they can be brought in. The hospital serving

Kallupatti is seven miles away.

Each block of villages also maintains four maternity and child welfare centers, each under the eye of a registered midwife. She tours her "constituency" frequently, registering pregnancies and examining expectant mothers fortnightly after the seventh month.

The typical doctor finds time for an average of nearly 250 patients a day in the hospital of his "block," and spends four afternoons a week visiting the maternity centers by turns. If a case of cholera or another epidemic disease turns up anywhere, he inoculates every man, woman and child of the village.

"Preventive as well as curative remedies are what we aim at," young Dr. Narayanam of Kallupatti's block told me.

"Once the people realize that we are here for their benefit," he says, "they gladly put up with inconveniences like mass inoculation. In one village the barber-midwife suspected her avocation was in danger. But since we convinced her that we did not mean to supplant her but to train her, she has been cooperating wholeheartedly."

The tranquil look in the eyes of this thirty-two-year-old doctor seemed to reflect his dedication to a cause. At my urging he told me how he graduated from Madras Medical College, rose to be a major in the Army, then resigned for service in the villages. His salary

dropped from nine hundred to three hundred fifty rupees a month. With his college-educated wife he lives in a wood-and-straw house of his own design, built by the villagers. The place stands open without a door, and the doctor sleeps in an army cot where night callers "walk into the room at night and tap me on the shoulder."

TWO TYPES of training programs are underway to provide personnel to carry out project plans in the villages. The first prepares men for work in the villages, with emphasis on agriculture and public health. Thirty-four centers of this type have been opened with the aid of the Ford Foundation. After the first year of the program, the Central and State Governments began sharing costs with the Foundation.

The second program trains social education workers. I looked in on the school at Gandhigram, headquarters of the block of villages which includes Kallupatti. During their six-months course the trainees rise at 4:45 a.m. "Our biggest job," said the principal, "is to teach rural-mindedness. Most of our boys and girls come from the cities."

The young men and women receive short courses in home handicrafts, such as carpentry, paper and soap-making, and bee-keeping. They are expected to pass on what they have learned to the villagers. They also study hygienic measures,

maternity care, family planning, cooperative management, citizenship, sociology and psychology. Because social education actually aims at reorienting the life of the village adult, the trainees must be able to share the joys and sorrows of the villagers as well as work with them. For example, they are taught how to organize entertainment for festival days.

The *Gram Sewak*, who accompanied me to Kallupatti, has four villages in his care. Thirty-four-year-old Mohan Sundaram knows something about everything—agriculture, public health, animal husbandry, education. He drops in on each village at least twice a week and reports back to project officials regularly to expedite improvements. When, as it often happens, there is no transportation available, he foots it the long, dusty way between villages.

TO THE extent that Mohan Sundaram and the village of Kallupatti represent the Community Development Program, ten million members of India's predominant rural masses will progress in a free and indigenous way. The fifty-five projects now in progress will serve as a "catalytic agent," as President Rajendra Prasad describes them, in raising the country's village conditions to twentieth-century standards of abundance, health and happiness. ■

The Government's decision to dispose of its synthetic rubber plants sets an important precedent in a new direction

THE U. S. STEPS OUT OF THE RUBBER BUSINESS

IN A WORLD where economic systems conflict and become rallying points in the struggle for men's minds, we chance the eventual alteration of our concepts of the American economic system whenever government undertakes to create and run a major business enterprise. A series of such chances might ultimately change the course of our political way of life as well.

By the time the United States Government got around to developing and manufacturing synthetic rubber, the American people had become accustomed to Big Government swinging into action in a big way. First the depression, then defense, and finally war — these were years of emergency. And emergencies are notorious for the way they provide opportunities to disregard established principles and precedents.

Thus, although the war crowded men's minds and left little room for abstract thinking, there were nevertheless some real risks in the Government's decision to go into

the rubber business. Today, a dozen years later, we can coldly review this whole venture in rubber; for we stand on the secure ground of decisions taken by our legislators to turn over the entire synthetic rubber industry to private companies. We might even say that this venture in Government capitalism admirably served the emergency purpose for which it was created. It turned out well because just this once, at least, principles outlasted the emergencies.

Our interest in synthetic rubber was enormously heightened when in the months following Pearl Harbor the Japanese Navy and Army cut us off from the natural rubber producing areas of Southeast Asia. For some time previously the rubber companies had been experimenting with synthetics. With this experience of private industry serving as a background, the tremendous financial resources of the Government were poured into the effort to accelerate research and eventually build the factories for the

production of synthetic rubber.

Prior to the war, synthetics in appreciable volume did not exist. Yet by 1944, when war production reached its peak, only 20 percent of rubber products in use was derived from natural rubber. Having overcome our complete dependence upon overseas suppliers, research continued to provide improvements in the synthetic product.

Thus, by 1953, with civilian consumption of rubber far oustripping military demand, sixty percent of our total production of rubber was in synthetics.

But even greater significance may be attached to the gigantic increase in the rate at which the American people were consuming rubber products. In the twelve months just previous to Pearl Harbor, our total consumption of rubber was 717,000 long tons, all natural. During the peak war year of 1944, we used 719,000 long tons, 80 percent synthetic but still only a two thousand ton increase over the prewar level. But by 1953, we were using 1,360,000 long tons, indicating a growth in the demand for rubber of almost 100 percent in less than a decade. Today, the United States, consumes as much rubber as do the nations of the rest of the world combined.

THAT SUCH an enormous increase in the rate of consumption could come about during the very years

when the natural rubber producing areas have been continuously plagued by strife is an obvious tribute to the value of our synthetic rubber industry. Since 1942 the rubber plantations have been diverted first by Japanese occupation and then by infiltration by Communist guerrillas. Although throughout this period the United States has remained the most important market for natural rubber, without our own synthetic rubber industry we would have had to pay a big price for the static supply of natural rubber which would be available to us.

IT GOES without saying that the principles underlying our decision to turn the synthetic industry over to private business are of little concern to people abroad. Indeed, the principles may not even be understood. But the natural rubber producers nevertheless have a tremendous economic stake in what happens to the synthetic industry here. In the current market, natural rubber competes only by selling below the price of synthetic. Since the Government-owned plants sell synthetic rubber to manufacturers at 23 cents per pound, the price of natural rubber hovers at about 20 cents per pound. At this figure, according to the Natural Rubber Bureau in Washington, the 350 thousand Malayan small plantation owners eke out a bare ex-

istence with an average annual income of less than 150 dollars.

It is understandable, then, that the natural rubber growers take a dim view of our Government's participation in the production and development of synthetics. In order to "dispel the doubts and skepticism which now exist in Southeast Asia regarding what the growers consider unfair pricing treatment by the United States government," the Natural Rubber Bureau urges the hiring of an independent firm by the Government to estimate the amount of the price rise of the synthetic when the plants become privately operated. The Bureau also urges adoption *now* of whatever price rise is recommended — even before the plants become privately operated — in order to help stabilize the economies of the rubber-growing area.

BUT THESE are the side issues of the main purpose behind the move to return the synthetic rubber plants to private enterprise.

The strength of free enterprise lies in the flexible interplay between business and Government without either totally sacrificing the role it is best equipped to play. Government best serves the people when it encourages business to develop and expand its productivity. On the American scene this is infinitely preferable to Government ownership and operation of large

industrial units. Secure in a foreknowledge of the eventual outcome, it can be said that the Government's participation in the development of synthetic rubber was a good thing. What the long-range intentions of the Government were when it went into this venture — if any — is not important. That a traditional principle in the American system has been upheld is the important consideration. Without Government aid, it is not probable that individual firms, with comparatively limited resources and capital, could have developed synthetic rubber quickly and in sufficient quantity to supply the present market demand, let alone the national security needs after Pearl Harbor. Important distinctions must be drawn between the needs of emergency and the need of adherence to national principles. In the case of synthetic rubber, the emergency was met and at the same time principles ultimately upheld.

MOST experts agree that transfer of the twenty-eight Government-owned plants to various private firms will raise the price of synthetic rubber anywhere from three to seven cents per pound. Obviously, when the plants are no longer run as a unit, there will be a short-run increase in costs. If this seems to present an objection to the decisions of Congress, it is a small sacrifice when contrasted with the

precedents which would have been strengthened if the Government continued its ownership of synthetic rubber plants. One of the mainstays of our economic system is to be found in the beneficial results of competition among several private companies for a dominant position in the market place. Whatever price for synthetic rubber this competition eventually establishes will ultimately prove to be a price level which encourages the greatest efficiency and profit for all concerned.

The Federal Government invested some 550 million dollars in research, development, equipment and construction of equipment for synthetic rubber plants. In 1953, at the low stabilized price of 23 cents per pound for synthetic rubber, the entire complex of Government-owned synthetic rubber plants showed a "profit" to the U.S. Treasury of almost 60 million dollars. The estimate for 1954 is that the Treasury will realize about 43 million dollars. But even if this Government monopoly keeps strict books according to the best principles of accounting practiced by private businessmen, it would take another dozen years before the Treasury retrieves its original capital investment. In the long run, the tax yield of a successful business from corporate profits and the dividends that such a business will pay to its individual investors will

have a far more salubrious effect upon our total economy than the continued operation of Government in the field of industrial enterprise.

It is noteworthy that the private rubber companies did not object *per se* to the idea of the Government's synthetic rubber program. In fact, industry fostered it by pooling resources with those of the Government. From a booklet published by Goodyear Tire and Rubber Company the following quotations illustrate industry's recognition of the importance of Government in the development of synthetic rubber:

"In this undertaking, men of industry, the Government and the military, working together as a team, compressed thirty years of intensive research work into four — and gave us the rubber that was essential to winning the war. . . .

"Synthetic rubber again came to the rescue following the Korean outbreak. . . .

"Continuing improvements in synthetic, added to war-born developments, are extending its uses in tires and many other products. Some of the synthetic products are giving performance far superior to those made of natural rubber. . . .

"Our great war-born Synthetic Rubber Industry is a rubber price stabilizer and should minimize many of the extreme problems of the past."

By 1953 the rubber industry was among the largest of our industrial giants. It employed a quarter of a million people in producing 50,000 different articles that had a net value of six billion dollars. But the most significant single development in 1953, from the rubber industry's viewpoint, was not to be found in a review of the vast increase in rubber consumption. Rather, it was the authorization of Congress to sell to private enterprise the Government-owned synthetic rubber facilities. According to this authorization, bids for synthetic plants may be submitted by private companies until May 27th of this year. Negotiations on these bids can continue for a seven-month period after this date. More than a hundred bids for the purchase of one or more of the 28 plants have already been made. All proposals for final sale must be approved by Congress whose decisions will be based on considerations of national security, free competition and fair value criteria already set by law.

Thus, it would seem that by our

handling of the synthetic rubber industry we have set a two-fold precedent which will have important implications for the future:

(1) In situations of dire national emergency, and where the national security requires it, the financial resources of the Federal Government may be used to develop and produce whatever is required to meet the need.

(2) After the emergency has been met, the Government will dispose of its industrial facilities by sale and transfer to private industry under formulas as fairly devised as human wisdom can make them.

Such a precedent is of particular significance when the time comes for its application to a much more important item soon to be considered — that promises to materially alter not only economic conditions in this country but the world-over as well. The use of atomic energy, now a Government monopoly, by private industrial enterprises seems next in line for serious consideration by the Congress. ■



Urban Growth Has Been Rapid

The rate of American urban growth has been spectacular. One hundred and fifty years ago no city in the United States had achieved a population of 100,000. By the time of the Civil War the present area of New York City had more than one million inhabitants; Philadelphia had over 500,000; and six other cities had reached or passed the 100,000 mark. By 1950, five cities had populations of more than a million; thirteen, over 500,000; and eighty-eight, over 100,000.

The COIN in Ice Cream



by Joseph C. Potter

—or, how to make the cash register ring, especially after you have “fallen by the roadside”

WHEN A MAN is in trouble a small act of kindness can make the difference between his emergence as a victim or a victor. That is the way it turned out for a twenty-six-year-old ice cream vendor, hawking his wares from a truck, when a blowout of a tire on a New York highway kept him from his appointed round of fairs and carnivals during the Memorial Day holiday in 1934.

Thomas Carvel is forty-four years old now and his truck has long since been replaced by the Carvel Dari-Freeze Stores, Inc. His company is parent to an eighteen-state network of 250 franchised dealers in soft ice cream. By Carvel's own admission, “Every one of them is a success.”

“I was so broke that wonderful day in 1934 that I had to telephone friends to send me a tire,” Carvel says in recalling the time when his

career was at its nadir. “While I was waiting beside the busy highway near Hartsdale, N. Y. a nice old man who was selling pottery by the side of the road told me to go ahead and sell my ice cream from his property. By the time my tire arrived, I was sold out.”

This brought an end to Carvel's career as a hawker at fairs and carnivals. He set up an ice cream drive-in alongside the potter on a permanent basis.

“The money came in fast,” he says. “I have a soft spot in my heart for that Hartsdale place. We have our training school there for folks who want a Carvel franchise.”

The success of the Hartsdale drive-in inspired Carvel to contem-

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plate similar shops that would dot the highways of the nation. Since the income from his one business could not provide enough capital to undertake such a grandiose scheme, Carvel decided to multiply his business by offering franchises to interested people.

WITH THE help of a few friends who eventually became business associates, possible sites were scouted. Vehicular traffic was tallied and stores already in the neighborhood noted. Population trends and the possibility of industrial development that might result in heavy highway traffic were also studied.

Once it was decided that an area would support a Carvel drive-in, the next step was to get the owner of the selected property to build a store according to Carvel's specifications. In return, Carvel would take back a ten-year lease and guarantee that the total investment of the landlord would be repaid in that time. In this manner the facilities for a franchise would be created. Whoever came in to operate the store would be the one to pay the rent, plus royalties to Carvel.

Many franchise applicants now erect their own shops. In some instances, Carvel has built a unit for a dealer who then buys the building.

A typical Carvel stand has a twenty-foot front and is thirty feet

deep. The unit is built of cinder block with stucco exterior finish and plaster interior—both painted off-white. The facade is fashioned of structural glass. Neon tubes attached to the underside of the protruding roof furnish lighting for the service counter. Along with these building specifications, a Carvel unit requires a site which provides adequate parking space and attractive landscaping.

"To swing an average unit for an applicant who does not own the property or erect the building, it costs me about \$17,500," says Carvel. "The holder of the franchise must pay me 7,500 dollars and amortize the remaining 10,000 dollars over three years. For his money the operator is completely set up in business—freezers, cabinets, fountains, walk-in refrigerator, signs, cash register, the whole works."

The three-year repayment clause has worked successfully. None of the franchises has failed to meet its obligation. "Name a business that can match that record," Carvel boasts.

AS AN example of how a typical unit can prosper, Carvel cites the story of a lunch-wagon owner in Tamaqua, Pa. whose ultra-modern establishment employs sixteen. He built a Carvel unit right next door. The ice-cream stand employs only four, yet it out-grossed the regular

business. From July 19 to the end of the month, the ice-cream franchise did \$3,683 worth of business. For all of August the sum was 7,948 dollars, in addition to 725 dollars of Carvel ice cream sold in the lunch-wagon.

According to the reports, the Tamaqua operation earns thirty-one cents on every dollar of sales. A Harrisburg, Pa. unit calculates that over a three-year period it earned twenty-nine cents from every sales dollar.

"All this is before taxes," notes Carvel wistfully. The estimated income of the average franchised dealer is about 10,800 dollars "on which he pays income taxes."

A MAJOR lure to franchise applicants is the fact that a Carvel establishment must be open and operating only thirty-two weeks a year—the warm "ice cream" season. An operator can, if he chooses, work through the entire year.

"In what other business," Carvel inquires rhetorically, "can you work thirty-two weeks and loaf twenty? Of course, I always warn prospective dealers, who undergo a training course before opening a Carvel unit, that they'll have to work like beavers almost around the clock in hot spells. But when the leaves fall, Florida beckons to

our dealers like to no other group in American society."

Evidently a great many people are taking this observation literally because at the start of 1954 there were more applicants for franchises than sites to put them on.

Carvel units market only soft ice cream and ice cream specialties. The finished product is not made by Carvel. The parent company provides the formula which a supplier in the dealer's area uses to turn out the delicacy. The store owner purchases the product for about fifteen dollars a ten-gallon can and pays an additional twenty-five cents a can royalty to Carvel. The store must also buy from Carvel the freezers, specially designed cups, containers and other paraphernalia of the business.

Thus, although Thomas Carvel did not invent the drive-in idea, he has managed to employ this principle, on the strength of his own initiative, into a thriving business. But, the real beginning for Carvel's success goes back to that one act of kindness by an old man who let a young man sell ice cream from the side of a road.

What does Carvel have in mind for 1954? Not much. He just wants to double, in one year, the number of franchises it has taken twenty years to organize. ■



The National Institute of Diaper Services is lobbying for a law to exempt from taxation money spent for "antiseptic diaper service."

Mass Production: Boon or Bondage?

(Continued from page 17)

to the board chairmanship is not as free as it once was. For management today requires great special training and education. To organize mass production and build up its teamwork requires imagination, understanding and sensitivity of a very high order. However, no capable fellow needs to remain for long on a type of job which even remotely resembles the assembly line process in Chaplin's *Modern Times*. Most companies offer their people opportunities for further training, and any man with a chemical trace of ginger in him will find himself in one of the higher skilled jobs without meeting much resistance.

NOR MUST we continue to associate the routine of the assembly line with the techniques of mass production. Electronic devices, sometimes called "brains," which only recently began to toy with quadratics and scientific computations far too intricate to be coped with by the human brain—these devices have begun to move into our plants and factories to control entire batteries of machinery. The mass production worker, within our generation, will become a superintendent of production with hardly any tasks to perform with his hands. He will be an all-around mechanic,

ever alert and ever master of the machine.

Even now a visit to a modern plant is worth anyone's afternoon. The dark satanic mill belongs to another world; everywhere there is light and order. In New Jersey I watched an unbelievably complicated machine turn out half-gallon bottles, one every second or two. These bottles would be worth many cows in King Solomon's time, but in Jersey City they are worth a fraction of a cent.

The raw materials poured into the melting furnace automatically, while a tangle of moving steel reproduced all the acts of a glass-blower. A conveyor carried the bottle through the annealing lehr without a single touch from human hands. The bottle plant was not considered large, yet it produced a million pieces a day. There were busy people in the laboratory, in the packing and shipping room and in the machine shop; but the actual production line was almost as deserted as a schoolyard at midnight.

I marvel at the trifling nature of some of the tasks that can be profitably assigned to machines. In a brewery I saw an "unscrambler" which had no other job but that of putting cans in single file.

ARISTOTLE once defended slavery, saying in irony that men would no longer need slaves when the shuttle wove by itself and the pick

plucked the harp on its own. Impossible, of course! We do the impossible today, and it is easy. Aristotle would view with interest how man has freed himself and enslaved the machine for his purposes. Who knows but that the great philosopher might have come to believe in progress and capitalism.

Of course, our capitalism is not the one described in the Communist gospel of Marx. The ruthless, wage-fighting buccaneer of business did not stay in style for long. The fact that even a sweeper's helper needs to feel a sense of dignity and usefulness is not in question in American industry. Hence, the bowling league, the house organ, the suggestion box and the personnel man. The big word in industrial relations at present is "communication." This addresses the problem of the gap between management and worker and asks how they can talk, as well as squawk, to each other.

I do not say that there was nothing but evil in the Middle Ages. No doubt there were among the craftsmen of earlier times many who were great guys and led full

and creative lives. They did some great things, but so do their counterparts in our time. And there are more of them, and they are more productive. A Gothic cathedral is a noble work, but not greater than a heart clinic. The silver filagree of long ago is fine, but it isn't so much beside an airliner, an electronic brain or a machine which can make bulbs for a million electric lights in a single day. The integrity and workmanship of a guildsman carpenter is also admirable. But, for sheer grandeur of conception, imagination, delicate feeling for materials or even integrity, can we say that those craftsmen out-reached a modern scientist or a mechanic on a jet plane?

I see no reason to quake at the machine. To say that it has made a rabbit, robot or wreck out of the American workman is to join a whopper of colossal proportions. As I worked on this article, it seemed to me that I could watch the Kremlin's much-advertised corner on human futures growing more wraith-like every day. The evolution at work in our factories and in our way of living makes communism look pretty sick. ■



A Century of Mechanization

The American farm has been at least on the road to mechanization for more than a century. A patent for a mowing machine was granted in 1831, and for a reaper in 1833. The threshing machine appeared in 1850, seed drills in 1840 and corn planters and cultivators came on the scene a short time later.

From the Bookshelf

DYNAMIC RETAILING IN THE MODERN ECONOMY; a report by a merchants' committee of the National Retail Dry Goods Association. \$5.00.

by George Soule



Dynamic Retailing

Retailers see the nation's economic health tied to their own ability to stimulate consumer demand

IF COMPETITIVE private enterprise dominates any part of the American economy, that part is retail trade, limited though price competition may be by the fair trade laws. A large proportion of the independent businessmen of the nation (farmers excluded) are shopkeepers. The big stores and chains are perhaps even more competitive than the small fry.

It is always of interest to know what business leaders think about their jobs, particularly when such leaders represent so numerous and important a segment as the retailers. The National Retail Dry Goods Association has published a report of a committee of over one hundred leading merchants under the chairmanship of Professor Malcolm P. McNair of the Harvard Graduate

School of Business Administration — *Dynamic Retailing in the Modern Economy*.

The committee undertook its work in the belief that a post-defense slump might require readjustment, but continued with the broader aim "to place retailing in its proper relation to the American economy as a whole."

Merchants agree with Adam Smith (though they quote business economist Paul Mazur instead) that man lives not for production but for consumption. But they do not, apparently, follow Smith's doctrine that the best contribution to the public welfare a businessman

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can make is to seek his own interest exclusively. They believe that the great company of retailers should explain themselves to the American people by identifying their role and seeking as a group to improve their performance of it. The social role of the merchants is defined as "the dynamic, demand-creating function of marketing."

Demand, the merchants believe, does not simply exist to be satisfied; it must also be created. If not enough demand is stimulated, the economy will stop expanding and unemployment will ensue.

"It is clearly the task of marketing . . . to close the gap between supply and demand." This sounds perilously like saying that man must consume more than he would want if left to his own devices, in order to be able to consume what he does want. The chairman of the retailers' committee is not ignorant of Jean Baptiste Say's so-called "law" that supply creates its own demand; it is just that he would rather follow Lord Keynes' more recent prescription that if prosperity is to be maintained, spending for consumption must be increased at the expense of saving.

ACCORDING to the committee's report, seven and a half percent of the national income is currently being saved, and that is too much for peacetime. This is a rather rough judgment; the rate of saving

in other periods of long-term expansion has apparently been as large or larger. One should consider also the stage of the business cycle and the current need for investment.

A recent development, stressed here, is of critical importance for all of us as well as for the retailers. In the past, an overwhelming majority of the people taken as a group have had no net savings because by and large their incomes were scarcely adequate to cover unavoidable expenses. Now, however, the proportion able to choose between spending and saving has increased greatly.

According to Arno H. Johnson, Vice-president of J. Walter Thompson Company, the American people have five times as much income as in 1940 to spend otherwise than for minimum food, clothing and shelter. He might have added that liberal access to consumer credit adds greatly to the discretion of the individual purchaser in deciding when to spend.

The inflationary boom after the Korean war broke out in June 1950 was activated chiefly by consumers; and then the cessation of panic buying created an inventory problem for business. This behavior does not fit well with the Keynesian belief in a stable and predictable "consumption function." But the record proves that the manner in which consumers use the discre-

tionary part of their purchasing power at given times has become of great practical importance.

WHAT MIGHT consumers want that they do not now have? Here is a legitimate opportunity for stimulation of demand.

The report is perceptive of social change which is rapidly shifting the wants of the "leisured masses." Casual fashions for suburban living and sporting goods thrive with the reduction of working hours. Shortage of domestic service and the high cost of craft labor has given rise to the "do-it-yourself"

movement, which boosts the sales of tools and gadgets. Spare-time hobbies such as amateur photography, outdoor cooking, and gardening, though scarcely new, flourish and create growing demand for equipment.

A report of this kind might even have mentioned a promising demand for good books (if they are cheap enough), artists' implements, musical instruments and records, and carving tools.

The consumers' welfare would be served if they would buy less of the overpriced, worthless or even injurious articles for which their

More Facts Due on the Price 'Spread' in Retail Stores

"Much criticism of retail prices and retail operating methods stems from failure to understand that stores provide the public with more than merchandise. Depending upon the character of the store, various services are provided in varying degrees—for example, alterations, deliveries, charge accounts, adjustments, etc.

"The time has arrived when it is absolutely essential to retailing's welfare that all segments of the public be made aware that retail prices reflect more than the costs of merchandise; that they must include also the cost of service; the cost of maintaining inventories in great assortment; the normal costs of store operation, including rent, maintenance, buying, markdowns, advertising and payroll; and, of course, the cost of capital financing....

"The Controllers' Congress of the National Retail Dry Goods Association is now developing a form for the presentation of operating information which will include in the cost of goods sold, not only the price paid for the merchandise, but also the costs now included in 'expense,' or procurement, receiving and marking, warehousing and other similar costs. This changed presentation will make retailing's 'cost of goods sold' properly comparable with the same item shown in the operating of manufacturing businesses. Further, the change will not only show a true gross profit for retailing, but will also reduce the presentation of expense to a figure that will actually represent the cost of selling merchandise."

—from Dynamic Retailing in the Modern Economy

wants are now stimulated with saturnine ingenuity. This is a ticklish subject that the report lightly straddles by supporting (in one passage) the Federal Trade Commission's action against misbranding, and opposing (in another passage) any new laws for the protection of consumers by standardization and grade labeling.

Some large wants of consumers are mentioned that cannot be either stimulated or satisfied in the retail market. The great increase in the number of children has accentuated the critical shortage of teaching facilities, while the growth of demand for higher education, combined with inflation, has created serious difficulties for the colleges. Good housing has never been plentiful enough to satisfy the desire for it. The associated problems of congested cities, inadequate roads and parking facilities become daily more annoying and costly. The list of required services which depend at least in part on Government and other non-commercial agencies might be much extended.

PRIVATE enterprise in retailing gets badly entangled in some of these obstacles and must call on Government to help in making it easier for customers to come and buy. This is clearly true in urban districts and in new suburban areas which need extensive shopping centers. These subjects are

discussed, but the report does not follow through by considering the role of Government spending to meet such needs. It does not reach the point of considering how the purchasing power of consumers is affected when such spending is to be paid for by taxes or by loans to municipal government—which tap the savings of consumers.

THE ECONOMIC climate of business opinion is far less murky than twenty years ago. But there is still room in this book for recognition that allocation of the nation's financial resources in the broadest public interest may in the end benefit even special interests—more so than a mere competitive grasping for a larger share of the consumer's dollar. And in connection with the changeable business weather a brief discussion of Governmental fiscal policy and central banking activities would not be amiss.

Some day, too, a document of this sort may be able to include a feasible program for countercyclical management of the most unstable factors in the income flow—investment in inventory and purchase of durable goods both by business and by consumers. The report does stress some aspects of inventory management and calls for long-term planning of capital expenditure.

In matters where the retailers' interests are most clearly at stake,

the report advises action of a sort that many economists would approve on grounds of public policy.

The merchants want lower tariffs and fewer obstructions in administration of the customs. They are here told that they may profit by energetic and resourceful buying of foreign goods. They are urged to make their influence felt in opposition to Federal sales taxes. Still better, they are advised to establish close liaison with such strategic Governmental bodies as the Council of Economic Advisers, the Department of Commerce, the Federal Trade Commission, the Internal Revenue Bureau, the Tariff Commission and Congress.

THE NATIONAL economy would gain by the counsel of the merchants; let us hope that the merchants in turn would gain by the counsel of those delegated to protect the public interest.

At this writing, the business pages of the papers report that retail sales are running three percent, which is considerable in volume, below the comparable week of a year ago. If this trend continues much longer, merchants will study with particular care the sections of this report on reduction of cost.

Consumers today might be enticed by price reductions; competition might force cuts even if they were not desirable for the health

of the national economy. This is the time to search for and eliminate waste which benefits nobody; there probably is some even in the best managed establishments. New ways of doing business such as "simplified selling" *a la* the supermarket may be capable of extension.

For businessmen, the way out of a slump is not of course to slide along a downward spiral by cutting wages, but rather to shave all unit costs by clearing away obstructions between producer and consumer.

THIS MAY be an appropriate time for businessmen to exercise perspective by reviewing the postwar readjustment which followed the inflation of 1919-1920. For a few months unemployment was severe. Prices dropped as swiftly and perhaps as far as in any recession in the nation's history. But, partly because the money incomes of the non-agricultural consumers were much less diminished in proportion than the cost of the goods they bought, the physical quantity of their purchases was larger in 1921 than in 1920, and larger in 1922 than in 1921.

The nation climbed quickly out of the slump onto the "plateau of prosperity" which extended, with only minor valleys, for seven years—and might have been even more enduring if it had not been for the speculative follies induced by overconfidence in its permanence. ■

ECONOMICS IN ACTION

(Cont'd from p. 2)

horizon. And some of these cuts could knock a pretty big hole in the President's budget. Excise tax cuts on such items as cosmetics, luggage, jewelry, furs and phone calls, for example, are almost certain to pass and will deprive the Treasury of about \$1 billion worth of revenue. And if Democratic proposals to raise income tax exemptions to \$800 pass Congress, that would mean an additional \$4.6 billion loss of revenue.

But the biggest reason for expecting a larger deficit next year is the business downturn. Unemployment has already passed the 2.5 million mark set by the Budget Bureau in estimating next year's revenue. Congress' Joint Economic Report only recently reported that the number of jobless might top the 5 million mark next winter. And that, together with an expected 6-7% drop in over-all business profits, could result in a whopping \$8 billion deficit for fiscal 1954-55.

Even a small business decline in the U. S. will entice our Western European allies to step up non-strategic trade with the Communist bloc. A recent report by the UN's Economic Commission for Europe emphasizes that Europe's record production last year could not be maintained should even a minor recession develop here. The possibility of maintaining production and employment by seeking Soviet markets would prove too strong to resist—despite indications that Russia will probably not make good on her promises:

Thus Russia recently announced with a lot of noise that she was willing to place \$1.1 billion worth of orders with English shipbuilding and railway construction firms in the period 1955-57. Such an

ECONOMICS IN ACTION

order would increase tenfold Britain's trade with Russia and boost her sagging shipbuilding and railway construction industries.

Economists, however, are skeptical about the Soviet Union's ability and willingness to foot the bill. They don't believe Russia is willing to expand her exports on the scale necessary to pay for the order, for that would mean a drastic change in her production plans. Nor do they believe that Russia will substantially tap her jealously guarded gold hoard, estimated at \$3.3 billion.

The main reason why hard-headed Western businessmen are nevertheless rising to Soviet baits of trade is anxiety over losing American markets and the need to find outlets for their expanding production. What Russia can or will pay is the \$64 question.

The Department of Better Mousetraps: an air conditioning system for passenger cars that combines cooling, heating and ventilating in a single unit... an electric heating cable for melting snow on roofs ...a knitting machine that can turn out a sweater in three hours...pre-salted and oiled popcorn that can be popped in the package...an electronic "fish-finder" that should prove a boon to fishermen. An ultrasonic head searches the ocean bottom and flashes on a television-like screen anything it detects; when it spots fish, the set can be made to magnify the image 25 times...insulated crash-proof picnic jugs ... penicillin with a butterscotch flavor for the kiddies ...and, finally, a movie screen that will leave audiences cross-eyed, if not emotionally frustrated. The screen would encircle the entire theater, completely surrounding the audience with the picture.